

MT LEGISLATIVE HISTORY

Chapter 614 1981

Bill H _____ S 355

Original bill & hist. ☒ C

H. Committee on Tax

S. Committee on Tax

Hearing Date(s) 4-9 _____ C

Hearing Date(s) 2-16 _____ C

4-14 _____ C

3-4 _____ C

_____ C

3-21 _____ C

_____ C

_____ C

Date Out _____ C

rpt 3-26 _____ C

Did this bill originate in an interim committee? ☐ Yes ☐ No

Committee _____

Report _____

SENATE BILLS

COMMITTEE ON TAXATION

BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO NOT PASS DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CON- CURRED IN DATE	BE CONC. IN AS AMENDED DATE	BE NOT CON- CURRED IN DATE
337	1-30-81	2-12-81		3-21-81					
339	1-30-81	2-13-81	Tabled	3-31-81					
344	2-02-81	2-17-81				4-04-81			
345	2-02-81	2-18-81				2-24-81			
355	2-03-81	2-16-81		3-26-81					
356	2-03-81	2-16-81				3-28-81			
358	2-03-81	2-18-81			3-06-81				
361	2-03-81	2-19-81		3-05-81					
372	2-05-81	2-19-81	Laid on	the table	3-21-81				
382	2-06-81	2-18-81				3-09-81			
383	2-06-81	2-18-81		3-06-81					
384	2-09-81	2-20-81			3-21-81				
408	2-09-81	2-20-81	Tabled	3-19-81					
409	2-23-81	3-02-81				3-14-81			
412	2-10-81	2-20-81		2-21-81					
423	2-11-81	2-20-81	Tabled	3-21-81					

(Use Separate Sheet for Senate, House Bills, and Resolutions)

Senate Bill 355

In The Senate

February 3, 1981	Introduced and referred to Committee on Taxation.
	Fiscal note requested.
February 9, 1981	Fiscal note returned.
March 27, 1981	Committee recommend bill do pass.
March 28, 1981	Bill printed and placed on members' desks.
April 1, 1981	Statement of intent.
	Second reading do pass.
April 3, 1981	Correctly engrossed.
April 4, 1981	Third reading passed.

In The House

April 6, 1981	Introduced and referred to Committee on Taxation.
April 21, 1981	On motion to take from Committee and place on second reading this day. Motion adopted.
	Second reading pass consideration.
April 22, 1981	Second reading concurred as amended.
	On motion rules suspended and bill placed on third reading this day.
	Third reading concurred as amended.

In The Senate

April 22, 1981	Returned from House concurred as amended.
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April 23, 1981

Second reading concurred as amended.

Third reading amendment concurred.

Sent to enrolling.

Correctly enrolled.

Signed by President.

Governor

April 23, 1981

Delivered to Governor.

May 7, 1981

Signed by Governor.

1 *Amended* BILL NO. *355*
 2 INTRODUCED BY *Blaylock*
 3 BY REQUEST OF THE GOVERNOR

4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO REPLACE THE PRESENT
 6 SYSTEM OF TAXATION OF AUTOMOBILES AND LIGHT TRUCKS WITH A
 7 FEE SYSTEM; ADJUSTING THE PERCENTAGE LIMITS ON CERTAIN
 8 FINANCIAL ACTIVITIES BY LOCAL GOVERNMENTS AND PROVIDING
 9 FINANCIAL ASSISTANCE TO LOCAL GOVERNMENTS BECAUSE OF THE
 10 CHANGE IN TAX BASE; AMENDING SECTIONS 7-1-2111, 7-3-1321,
 11 7-6-2211, 7-6-4121, 7-6-4254, 7-7-107, 7-7-108, 7-7-2101,
 12 7-7-2203, 7-7-4201, 7-7-4202, 7-13-4103, 7-14-236,
 13 7-14-2524, 7-14-2525, 7-14-4402, 7-15-2327, 7-15-4104,
 14 7-31-106, 7-31-107, 7-34-2131, 10-2-301, 10-2-303, 15-6-139,
 15 15-6-140, 15-6-201, 15-8-201, 15-8-202, 15-24-101 THROUGH
 16 15-24-105, 15-24-301, 15-30-121, 15-31-114, 15-50-207,
 17 19-11-503, 19-11-504, 20-9-406, 20-9-502, 61-3-303,
 18 61-3-317, 61-3-322, 61-3-332, 61-3-335, 61-3-342, 61-3-501
 19 THROUGH 61-3-504, 61-3-507, 61-3-509, 61-3-701, 61-6-302,
 20 61-10-233, AND 85-7-2001, MCA; AND PROVIDING EFFECTIVE
 21 DATES."

22
 23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

24 NEW SECTION. Section 1. Definitions. As used in
 25 [sections 1 through 6], the following definitions apply:

1 (1) "Light vehicle" means an automobile or a truck
 2 having a rated capacity of three-quarters of a ton or less.
 3 (2) "Vehicle age" means the difference between the
 4 calendar year of the first day of the registration period
 5 and the manufacturer's designated model year.

6 NEW SECTION. Section 2. Light vehicle license fee.
 7 (1) Except as provided in subsection (2), light vehicles are
 8 subject to a license fee. This fee is imposed in lieu of a
 9 property tax and is in addition to the tax on new motor
 10 vehicles.

11 (2) (a) Light vehicles that meet the description of
 12 property exempt from taxation under the provisions of
 13 subsections (a), (c), (d), or (e) of 15-6-201(1) or
 14 15-6-203(2) are exempt from the fee imposed in subsection
 15 (1) of this section.

16 (b) A dealer for light vehicles is not required to pay
 17 the license fee for light vehicles held for sale or used in
 18 the dealer's business in selling or demonstrating the
 19 vehicles. Vehicles exempt under this subsection may not be
 20 used for the personal use of the dealer, his family, or
 21 employees or for any use not necessary in the pursuit of
 22 business.

23 NEW SECTION. Section 3. Schedule of fees for
 24 automobiles and light trucks. (1) Except as provided in
 25 subsection (3), the following schedule, based on vehicle age

1 and weight, is used to determine the fee imposed by [section
2 2]:

Vehicle Age	Weight	
	2,850 pounds or less	more than 2,850 pounds
less than or equal to 4 years	\$45	\$65
more than 4 years	20	25

9 (2) The fee for a light vehicle is the appropriate
10 dollar amount from the table in subsection (1) multiplied by
11 the ratio of the PCE for the second quarter of the year
12 prior to the year of licensing to the PCE for the second
13 quarter of 1981. "PCE" means the implicit price deflator for
14 personal consumption expenditures as published quarterly in
15 the Survey of Current Business by the bureau of economic
16 analysis of the United States department of commerce.

17 (3) The light vehicle license fee for disabled
18 veterans qualifying under the provisions of 10-2-301 through
19 10-2-304 is \$5.

20 NEW SECTION. Section 4. Payment of fee required for
21 operation. (1) No light vehicle subject to the fee imposed
22 by [section 2] may be operated unless the fee has been paid
23 and the vehicle is licensed.

24 (2) A properly licensed and registered light vehicle
25 may be operated within Montana, subject to all applicable
26 federal, state, and local laws.

1 NEW SECTION. Section 5. Light vehicle reregistration
2 by mail. (1) The department of revenue shall develop a
3 procedure to permit the reregistration of light vehicles
4 with the county treasurer by mail at the option of the owner
5 of the vehicle. The option to reregister by mail need only
6 be made available for vehicles registered at the close of
7 the expiring registration period in the name of the
8 applicant for reregistration.

9 (2) The form to be returned to the county treasurer by
10 the applicant, with the appropriate fees, is to contain a
11 statement, to be subscribed to by the applicant, stating
12 compliance with the financial liability requirements of
13 61-6-301.

14 (3) The procedure for mail reregistration must be in
15 effect by January 1, 1982.

16 (4) The department of revenue may adopt rules to
17 implement the mail reregistration procedure.

18 NEW SECTION. Section 6. State aid for local
19 government. (1) Each county treasurer shall compute:

20 (a) the total amount received during the period from
21 January 1, 1981, to December 31, 1981, for property taxes on
22 automobiles and trucks having a rated capacity of
23 three-quarters of a ton or less, denoted CT;

24 (b) the total amount that would have been received
25 during the same period if the license fee system had been in

effect, denoted CF; and

(c) the number of light vehicles registered in the county on December 31, 1981, denoted NC.

(2) The three quantities, CT, CF, and NC, shall be certified to the department of revenue by February 1, 1982. The department shall compute for each county a quantity called county revenue loss, denoted CRL, and county loss per vehicle, denoted CLV, and defined as follows:

(a) CRL = larger of:

(i) 0; or

(ii) CT - CF;

(b) CLV = CRL/NC.

(3) Prior to February 1 of year denoted Y, the county treasurer shall determine and certify to the department, the number of light vehicles registered in the county on December 31 of the prior year, denoted NC(Y).

(4) On March 1 of year Y, the department shall transmit to each county treasurer a warrant in the amount of $CLV \times NC(Y)$.

(5) Upon receipt of the payment provided for in subsection (4), the county treasurer shall credit the payment to a motor vehicle suspense fund and, at some time between March 15 and March 30, shall distribute the payment in the same manner as funds are distributed to the taxing jurisdictions as provided in 61-3-509.

Section 7. Section 10-2-301, MCA, is amended to read:

"10-2-301. ~~Free--license~~ License plates to disabled veterans. Any person who is a veteran of the armed service of the United States and 100% disabled because of an injury which has been determined by the veterans administration to be service connected and who is a citizen and resident of the state of Montana and who is the owner of a passenger automobile or of a truck up to and including three-quarter ton GVW-rated capacity shall be provided with free license plates upon payment of ~~personel-property-tax-equal-to-1%-of~~ the-taxable-value a fee of \$2 for such automobile or truck and upon proof of 100% service-connected disability."

Section 8. Section 10-2-303, MCA, is amended to read:

"10-2-303. Veterans' free plates limited to one automobile or truck. No disabled veteran is entitled to free license plates under 10-2-301 for more than one passenger automobile or one truck up to and including three-quarter ton GVW-rated capacity."

Section 9. Section 15-6-139, MCA, is amended to read:

"15-6-139. Class nine property -- description -- taxable percentage. (1) Class nine property includes:

(a) ~~automobiles, buses, and trucks weighing 1-1/2 tons or less having a rated capacity of more than three-quarters of a ton but less than or equal to 1 1/2 tons;~~

(b) stock, camping, and travel trailers;

1 (c) truck campers and toppers weighing more than 300
 2 pounds, except those included in class five;
 3 (d) motor homes except those included in class five;
 4 (e) furniture, fixtures, and equipment, except that
 5 specifically included in another class, used in commercial
 6 establishments as defined in this section;
 7 (f) x-ray and medical and dental equipment; and
 8 (g) citizens' band radios and mobile telephones.
 9 (2) "Commercial establishment" includes any hotel;
 10 motel; office; petroleum marketing station; or service,
 11 wholesale, retail, or food-handling business.
 12 (3) Class nine property is taxed at 13% of its market
 13 value."
 14 Section 10. Section 15-6-140, MCA, is amended to read:
 15 "15-6-140. Class ten property -- description --
 16 taxable percentage. (1) Class ten property includes:
 17 (a) radio and television broadcasting and transmitting
 18 equipment;
 19 (b) cable television systems;
 20 (c) centrally assessed utility allocations after
 21 deductions of locally assessed properties, except as
 22 provided in:
 23 (i) class five for cooperative rural electrical and
 24 cooperative rural telephone associations; and
 25 (ii) class seven for rural telephone and electrical

1 organizations;
 2 (d) coal and ore haulers;
 3 (e) trucks ~~weighing~~ having a rated capacity of more
 4 than 1 1/2 tons, including those prorated under 15-24-102;
 5 (f) trailers, except those included in classes five,
 6 eight, or nine, including those prorated under 15-24-102;
 7 (g) theater projectors and sound equipment; and
 8 (h) all other property not included in the preceding
 9 nine classes.
 10 (2) Class ten property is taxed at 16% of its market
 11 value."
 12 Section 11. Section 15-6-201, MCA, is amended to read:
 13 "15-6-201. Exempt categories. (1) The following
 14 categories of property are exempt from taxation:
 15 (a) the property of:
 16 (i) the United States, the state, counties, cities,
 17 towns, school districts;
 18 (ii) irrigation districts organized under the laws of
 19 Montana and not operating for profit;
 20 (iii) municipal corporations; and
 21 (iv) public libraries;
 22 (b) buildings, with land they occupy and furnishings
 23 therein, owned by a church and used for actual religious
 24 worship or for residences of the clergy, together with
 25 adjacent land reasonably necessary for convenient use of

1 such buildings;

2 (c) property used exclusively for agricultural and
3 horticultural societies, for educational purposes, and for
4 hospitals;

5 (d) property that meets the following conditions:

6 (i) is owned and held by any association or
7 corporation organized under Title 35, chapter 2, 3, 20, or
8 21;

9 (ii) is devoted exclusively to use in connection with a
10 cemetery or cemeteries for which a permanent care and
11 improvement fund has been established as provided for in
12 Title 35, chapter 20, part 3; and

13 (iii) is not maintained and operated for private or
14 corporate profit;

15 (e) institutions of purely public charity;

16 (f) evidence of debt secured by mortgages of record
17 upon real or personal property in the state of Montana;

18 (g) public art galleries and public observatories not
19 used or held for private or corporate profit;

20 (h) all household goods and furniture, including but
21 not limited to clocks, musical instruments, sewing machines,
22 and wearing apparel of members of the family, used by the
23 owner for personal and domestic purposes or for furnishing
24 or equipping the family residence;

25 (i) a truck canopy cover or topper weighing less than

1 300 pounds and having no accommodations attached. Such
2 property is also exempt from the fee in lieu of tax.

3 (j) a bicycle, as defined in 61-1-123, used by the
4 owner for personal transportation purposes;1

5 ~~(k) automobiles and trucks having a rated capacity of~~
6 ~~three-quarters of a ton or less.~~

7 (2) (a) The term "institutions of purely public
8 charity" includes organizations owning and operating
9 facilities for the care of the retired or aged or
10 chronically ill, which are not operated for gain or profit.

11 (b) The terms "public art galleries" and "public
12 observatories" include only those art galleries and
13 observatories, whether of public or private ownership, that
14 are open to the public without charge at all reasonable
15 hours and are used for the purpose of education only.

16 (3) The following portions of the appraised value of a
17 capital investment made after January 1, 1979, in a
18 recognized nonfossil form of energy generation, as defined
19 in 15-32-102, are exempt from taxation for a period of 10
20 years following installation of the property:

21 (a) \$20,000 in the case of a single family residential
22 dwelling;

23 (b) \$100,000 in the case of a multifamily residential
24 dwelling or a nonresidential structure."

25 Section 12. Section 15-8-201, MCA, is amended to read:

1 "15-8-201. General assessment day. (1) The department
2 of revenue or its agent must, between January 1 and the
3 second Monday of July in each year, ascertain the names of
4 all taxable inhabitants and assess all property subject to
5 taxation in each county. The department or its agent must
6 assess property to the person by whom it was owned or
7 claimed or in whose possession or control it was at midnight
8 of January 1 next preceding. It must also ascertain and
9 assess all mobile homes arriving in the county after
10 midnight of January 1 next preceding. No mistake in the name
11 of the owner or supposed owner of real property, however,
12 renders the assessment invalid.

13 (2) The procedure provided by this section may not
14 apply to:

15 (a) motor vehicles that are required by 15-8-202 to be
16 assessed on January 1 or upon their anniversary registration
17 date;

18 ~~(b) automobiles and trucks having a rated capacity of~~
19 ~~three-quarters of a ton or less;~~

20 ~~(b)(c)~~ motor homes and travel trailers subject to a
21 fee in lieu of property tax;

22 ~~(b)(d)~~ livestock;

23 ~~(b)(e)~~ property defined in 61-1-104(2) as "special
24 mobile equipment" that is subject to assessment for personal
25 property taxes on the date that application is made for a

1 special mobile equipment plate; and

2 ~~(b)(f)~~ mobile homes held by a distributor or dealer of
3 mobile homes as a part of his stock-in-trade.

4 (3) Credits must be assessed as provided in
5 15-1-101(1)(c)."

6 Section 13. Section 15-8-202, MCA, is amended to read:

7 "15-8-202. Motor vehicle assessment. (1) (a) The
8 department or its agent must, in each year, ascertain and
9 assess all motor vehicles other than automobiles, trucks
10 having a rated capacity of three-quarters of a ton or less,
11 motor homes, travel trailers, or mobile homes in each county
12 subject to taxation as of January 1 or as of the anniversary
13 registration date of those vehicles subject to 61-3-313
14 through 61-3-316 and 61-3-501. The motor vehicles shall be
15 assessed in each year to the persons by whom owned or
16 claimed or in whose possession or control they were at
17 midnight of January 1 or the anniversary registration date
18 thereof, whichever is applicable.

19 (b) No tax may be assessed against motor vehicles
20 subject to taxation that constitute inventory of motor
21 vehicle dealers as of January 1. These vehicles and all
22 other motor vehicles subject to taxation brought into the
23 state subsequent to January 1 as motor vehicle dealers'
24 inventories shall be assessed to their respective purchasers
25 as of the dates the vehicles are registered by the

1 purchasers.

2 (c) "Purchasers" includes dealers who apply for
3 registration or reregistration of motor vehicles, except as
4 otherwise provided by 61-3-502.

5 (d) Goods, wares, and merchandise of motor vehicle
6 dealers, other than new motor vehicles and new mobile homes,
7 shall be assessed at market value as of January 1.

8 (2) In all cases where taxes or a fee in lieu of tax
9 were required to be paid, the applicant for registration or
10 reregistration of a motor vehicle, other than a mobile home,
11 is not relieved of the duty of paying taxes or the fee in
12 lieu of tax if the taxes or fees have not been paid by a
13 prior applicant or owner."

14 Section 14. Section 15-24-101, MCA, is amended to
15 read:

16 "15-24-101. Assessment of proportionally registered
17 interstate motor vehicle fleets -- tax payment required for
18 registration. (1) The department of revenue shall assess,
19 for the purpose of personal property taxes, the taxable
20 vehicles in interstate motor vehicle fleets proportionally
21 registered under the provisions of 61-3-711 through
22 61-3-733, and ~~said the~~ assessment shall be apportioned on
23 the ratio of total miles traveled to in-state miles traveled
24 formula as prescribed by 61-3-721. Interstate motor vehicle
25 fleets are ~~hereby-declared~~ assessable for taxation purposes

1 upon application for proportional registration and ~~shall be~~
2 ~~are~~ assessed to the persons who own or claim or in whose
3 possession or control the fleet is at the time of the
4 application.

5 (2) Any With respect to any fleet contained in an
6 original application which has a situs for purpose of
7 property taxation in Montana by the terms of this part or
8 any other provision of the laws of Montana between January 1
9 and April 1, ~~shall be the taxable vehicles are~~ taxed for a
10 full year. Any With respect to any fleet contained in an
11 original application which acquires a situs for the purpose
12 of property taxation in Montana under the provisions of this
13 part or any other law of the state of Montana after April 1,
14 ~~shall have the taxes on taxable vehicles are~~ apportioned as
15 provided in 15-24-303.

16 (3) Any With respect to any fleet contained in a
17 renewal application, ~~shall be the taxable vehicles are~~
18 assessed and taxed for a full year.

19 (4) Automobiles and trucks having a rated capacity of
20 three-quarters of a ton or less that are part of an
21 interstate motor vehicle fleet are subject to the light
22 vehicle license fee imposed by [section 2]. If the fleet is
23 proportionally registered, the fee is apportioned in the
24 same fashion as the registration fee under 61-3-721.

25 ~~†††~~ Vehicles contained in a fleet for which current

1 ~~taxes, fees, or both~~ have been assessed and paid shall not
 2 be assessed ~~or charged fees~~ under this section upon
 3 presentation to the department of proof of payment of ~~tax~~
 4 ~~taxes, fees, or both~~ for the current registration year. The
 5 payment of personal property taxes, ~~fees, or both~~ is a
 6 condition precedent to proportional registration or
 7 reregistration of an interstate motor vehicle fleet."

8 Section 15. Section 15-24-102, MCA, is amended to
 9 read:

10 "15-24-102. Valuation of interstate fleets --
 11 determination of aggregate tax due. The department of
 12 revenue shall assess ~~the taxable vehicles of~~ any interstate
 13 motor vehicle fleet making application for proportional
 14 registration as follows:

15 (1) The purchase price ~~of the taxable vehicles~~
 16 depreciated by a schedule as prescribed by the department
 17 shall determine the depreciated value.

18 (2) The depreciated value multiplied by the percent of
 19 miles traveled in Montana as prescribed by 61-3-721 shall be
 20 the assessed value.

21 (3) The sum of the assessed value of all ~~taxable~~
 22 vehicles included in the fleet multiplied by 16% shall be
 23 the taxable value for the entire fleet.

24 (4) To determine the amount of tax due, the taxable
 25 value of the entire fleet shall be multiplied by the

1 statewide average county mill levy plus state levies as
 2 hereinafter provided."

3 Section 16. Section 15-24-103, MCA, is amended to
 4 read:

5 "15-24-103. Determination of average levy in state --
 6 application to interstate fleets -- cost stated in
 7 application for registration. (1) The department of revenue
 8 shall determine the aggregate tax in the entire state for
 9 state, county, and local purposes levied on the general
 10 property of the state in the previous year, excluding
 11 special levies on property for local improvements and
 12 special state levies on livestock for bounties, inspection,
 13 and protection purposes.

14 (2) From the total taxable valuation of the general
 15 property of the state including net proceeds and the
 16 aggregate tax as determined, the department shall compute
 17 the average levy by dividing the aggregate tax by the total
 18 state taxable valuation. The rate so determined shall
 19 constitute the rate of taxation on the taxable value of ~~all~~
 20 ~~interstate trucks, taxable vehicles of an interstate motor~~
 21 ~~vehicle fleet.~~

22 (3) The original cost of each ~~taxable~~ vehicle shall be
 23 included on the application for proportional registration
 24 under the provisions of 61-3-711 through 61-3-733. The
 25 department shall determine the original cost when the owner

does not have this information on new or used vehicles or in the case of rebuilt vehicles."

Section 17. Section 15-24-104, MCA, is amended to read:

"15-24-104. Situs in state of proportionally registered fleets. (1) For the purposes of this part, any vehicle previously registered or which has had application for registration made under the provisions of 61-3-711 through 61-3-733 is hereby declared to have a situs in the state for the purposes of taxation.

(2) The department or its designated agent shall collect the personal property taxes, license fees, or both, prescribed herein in this part."

Section 18. Section 15-24-105, MCA, is amended to read:

"15-24-105. Deposit and distribution of taxes and fees on proportionally registered fleets. The personal property taxes described herein and license fees collected under this part shall be deposited with the state treasurer for distribution to the general fund of each county on the following basis:

(1) for personal property taxes according to the ratio of the taxable valuation of each county to the total state taxable valuation; and

(2) for light vehicle license fees, according to the

ratio of light vehicle license fees, other than fees derived from interstate motor vehicle fleets, collected in each county to the sum of all such fees collected in all the counties."

Section 19. Section 15-24-301, MCA, is amended to read:

"15-24-301. Personal property brought into the state -- assessment -- exceptions -- custom combine equipment. (1) Property Except as provided in subsections (2) through (6), property in the following cases is subject to taxation and assessment for all taxes levied that year in the county in which it is located:

(a) any personal property (including livestock) brought, driven, or coming into this state at any time during the year that is used in the state for hire, compensation, or profit;

(b) property whose owner or user is engaged in gainful occupation or business enterprise in the state; or

(c) property which comes to rest and becomes a part of the general property of the state.

(2) The taxes on this property are levied in the same manner and to the same extent, except as otherwise provided, as though the property had been in the county on the regular assessment date, provided that the property has not been regularly assessed for the year in some other county of the

1 state.

2 (3) Nothing in this section shall be construed to levy
3 a tax against a merchant or dealer within this state on
4 goods, wares, or merchandise brought into the county to
5 replenish the stock of the merchant or dealer in addition to
6 the tax levied against the inventory of said merchant or
7 dealer on the regular assessment date.

8 (4) This section does not apply to any motor vehicle
9 brought, driven, or coming into this state by any
10 nonresident person temporarily employed in Montana for a
11 period not exceeding 90 days if the motor vehicle is used
12 exclusively for transportation of such person.

13 (5) Agricultural harvesting machinery classified under
14 class eight, licensed in other states, and operated on the
15 lands of persons other than the owner of the machinery under
16 contracts for hire shall be subject to a fee in lieu of
17 taxation of \$35 per machine for a 60-day period. The
18 machines shall be subject to taxation under class eight only
19 if they are sold in Montana.

20 ~~(6) The provisions of this part do not apply to~~
21 ~~automobiles and trucks having a rated capacity of~~
22 ~~three-quarters of a ton or less. These vehicles are subject~~
23 ~~to the fee provided for in [section 2]."~~

24 Section 20. Section 15-30-121, MCA, is amended to
25 read:

1 "15-30-121. Deductions allowed in computing net
2 income. In computing net income, there are allowed as
3 deductions:

4 (1) the items referred to in sections 161 and 211 of
5 the Internal Revenue Code of 1954, or as sections 161 and
6 211 shall be labeled or amended, subject to the following
7 exceptions which are not deductible:

8 (a) items provided for in 15-30-123;

9 (b) state income tax paid;

10 (2) federal income tax paid within the taxable year;

11 (3) child and dependent care expenses determined in
12 accordance with the provisions of section 214 of the
13 Internal Revenue Code of 1954 that were in effect for the
14 taxable year that began January 1, 1974. However, the
15 limitation set forth in section 214(e)(4) of the Internal
16 Revenue Code of 1954 as that section was in effect for the
17 taxable year that began January 1, 1974, applies only to
18 payments made to a child of the taxpayer who is under 19
19 years of age at the close of the taxable year and to
20 payments made to an individual with respect to whom a
21 deduction is allowable under 15-30-112(5) to the taxpayer or
22 the taxpayer's spouse.

23 (4) that portion of an energy-related investment
24 allowed as a deduction under 15-32-103;

25 (5) in the case of an individual, political

contributions determined in accordance with the provisions of section 213(a) and (b) of the Internal Revenue Code that were in effect for the taxable year ended December 31, 1978.

~~(6) light vehicle license fees, as provided by [section 2], paid during the taxable year."~~

Section 21. Section 15-31-114, MCA, is amended to read:

"15-31-114. Deductions allowed in computing income. In computing the net income, the following deductions shall be allowed from the gross income received by such corporation within the year from all sources:

(1) All the ordinary and necessary expenses paid or incurred during the taxable year in the maintenance and operation of its business and properties, including reasonable allowance for salaries for personal services actually rendered, subject to the limitation hereinafter contained, rentals or other payments required to be made as a condition to the continued use or possession of property to which the corporation has not taken or is not taking title or in which it has no equity. No deduction shall be allowed for salaries paid upon which the recipient thereof has not paid Montana state income tax; provided, however, that where domestic corporations are taxed on income derived from without the state, salaries of officers paid in

connection with securing such income shall be deductible.

(2) (a) All losses actually sustained and charged off within the year and not compensated by insurance or otherwise, including a reasonable allowance for the wear and tear and obsolescence of property used in the trade or business, such allowance to be determined according to the provisions of section 167 of the Internal Revenue Code in effect with respect to the taxable year. All elections for depreciation shall be the same as the elections made for federal income tax purposes. No deduction shall be allowed for any amount paid out for any buildings, permanent improvements, or betterments made to increase the value of any property or estate, and no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made.

(b) (i) There shall be allowed as a deduction for the taxable period a net operating loss deduction determined according to the provisions of this subsection. The net operating loss deduction is the aggregate of net operating loss carryovers to such taxable period plus the net operating loss carrybacks to such taxable period. The term "net operating loss" means the excess of the deductions allowed by this section, 15-31-114, over the gross income, with the modifications specified in (ii) of this subsection.

1 If for any taxable period beginning after December 31, 1970,
 2 a net operating loss is sustained, such loss shall be a net
 3 operating loss carryback to each of the three taxable
 4 periods preceding the taxable period of such loss and shall
 5 be a net operating loss carryover to each of the five
 6 taxable periods following the taxable period of such loss. A
 7 net operating loss for any taxable period ending after
 8 December 31, 1975, in addition to being a net operating loss
 9 carryback to each of the three preceding taxable periods,
 10 shall be a net operating loss carryover to each of the seven
 11 taxable periods following the taxable period of such loss.
 12 The portion of such loss which shall be carried to each of
 13 the other taxable years shall be the excess, if any, of the
 14 amount of such loss over the sum of the net income for each
 15 of the prior taxable periods to which such loss was carried.
 16 For purposes of the preceding sentence, the net income for
 17 such prior taxable period shall be computed with the
 18 modifications specified in (ii)(B) of this subsection and by
 19 determining the amount of the net operating loss deduction
 20 without regard to the net operating loss for the loss period
 21 or any taxable period thereafter, and the net income so
 22 computed shall not be considered to be less than zero.

23 (ii) The modifications referred to in (i) of this
 24 subsection shall be as follows:

25 (A) No net operating loss deduction shall be allowed.

1 (B) The deduction for depletion shall not exceed the
 2 amount which would be allowable if computed under the cost
 3 method.

4 (C) Any net operating loss carried over to any taxable
 5 years beginning after December 31, 1978, must be calculated
 6 under the provisions of this section effective for the
 7 taxable year for which the return claiming the net operating
 8 loss carryover is filed.

9 (iii) A net operating loss deduction shall be allowed
 10 only with regard to losses attributable to the business
 11 carried on within the state of Montana.

12 (iv) In the case of a merger of corporations, the
 13 surviving corporation shall not be allowed a net operating
 14 loss deduction for net operating losses sustained by the
 15 merged corporations prior to the date of merger. In the case
 16 of a consolidation of corporations, the new corporate entity
 17 shall not be allowed a deduction for net operating losses
 18 sustained by the consolidated corporations prior to the date
 19 of consolidation.

20 (v) Notwithstanding the provisions of 15-31-531,
 21 interest shall not be paid with respect to a refund of tax
 22 resulting from a net operating loss carryback or carryover.

23 (vi) The net operating loss deduction shall not be
 24 allowed with respect to taxable periods which ended on or
 25 before December 31, 1970, but shall be allowed only with

1 respect to taxable periods beginning on or after January 1,
2 1971.

3 (3) In the case of mines, other natural deposits, oil
4 and gas wells, and timber, a reasonable allowance for
5 depletion and for depreciation of improvements; such
6 reasonable allowance to be determined according to the
7 provisions of the Internal Revenue Code in effect for the
8 taxable year. All elections made under the Internal Revenue
9 Code with respect to capitalizing or expensing exploration
10 and development costs and intangible drilling expenses for
11 corporation license tax purposes shall be the same as the
12 elections made for federal income tax purposes.

13 (4) The amount of interest paid within the year on its
14 indebtedness incurred in the operation of the business from
15 which its income is derived; but no interest shall be
16 allowed as a deduction if paid on an indebtedness created
17 for the purchase, maintenance, or improvement of property or
18 for the conduct of business unless the income from such
19 property or business would be taxable under this part.

20 (5) (a) Taxes paid within the year except the
21 following:

22 (i) Taxes imposed by this part.

23 (ii) Taxes assessed against local benefits of a kind
24 tending to increase the value of the property assessed.

25 (iii) Taxes on or according to or measured by net

1 income or profits imposed by authority of the government of
2 the United States.

3 (iv) Taxes imposed by any other state or country upon
4 or measured by net income or profits.

5 (b) Taxes deductible under this part shall be
6 construed to include taxes imposed by any county, school
7 district, or municipality of this state.

8 ~~(6) Light vehicle license fees, as provided by~~
9 ~~[section 2], paid within the year.~~

10 ~~(6)(7)~~ That portion of an energy-related investment
11 allowed as a deduction under 15-32-103."

12 Section 22. Section 15-50-207, MCA, is amended to
13 read:

14 "15-50-207. Credit against other taxes -- credit for
15 personal property taxes and certain fees. (1) The additional
16 license fees withheld or otherwise paid as provided herein
17 may be used as a credit on the contractor's corporation
18 license tax provided for in chapter 31 of this title or on
19 the contractor's income tax provided for in chapter 30,
20 depending upon the type of tax the contractor is required to
21 pay under the laws of the state.

22 (2) Personal property taxes or light vehicle license
23 fees, as provided by [section 2], paid in Montana on any
24 personal property of the contractor which is used in the
25 business of the contractor and is located within this state

1 may be credited against the license fees required under this
 2 chapter. However, in computing the tax credit allowed by
 3 this section against the contractor's corporation license
 4 tax or income tax, the personal property tax or light
 5 vehicle license fee credit against the license fees herein
 6 required shall not be considered as license fees paid for
 7 the purpose of such income tax or corporation license tax
 8 credit."

9 Section 23. Section 61-3-303, MCA, is amended to read:

10 "61-3-303. Application for registration. (1) Every
 11 owner of a motor vehicle operated or driven upon the public
 12 highways of this state shall for each motor vehicle owned,
 13 except as herein otherwise expressly provided, file or cause
 14 to be filed in the office of the county treasurer where the
 15 motor vehicle is owned or taxable an application for
 16 registration or reregistration upon a blank form to be
 17 prepared and furnished by the division. The application
 18 shall contain:

19 (a) name and address of owner, giving county, school
 20 district, and town or city within whose corporate limits the
 21 motor vehicle is taxable, if taxable, or within whose
 22 corporate limits the owner's residence is located if the
 23 motor vehicle is not taxable;

24 (b) name and address of the holder of any security
 25 interest in the motor vehicle;

1 (c) description of motor vehicle, including make, year
 2 model, engine or serial number, manufacturer's model or
 3 letter, gross weight, type of body, and if truck, the rated
 4 capacity;

5 (d) in case of reregistration, the license number for
 6 the preceding year; and

7 (e) such other information as the division may
 8 require.

9 (2) A person who files an application for registration
 10 or reregistration of a motor vehicle, except of a mobile
 11 home as defined in 15-1-101(1), shall upon the filing of the
 12 application pay to the county treasurer:

13 (a) the registration fee, as provided in 61-3-311 and
 14 61-3-321; and

15 (b) unless it has been previously paid:

16 (i) the personal property taxes assessed;

17 (ii) the new motor vehicle sales tax against the
 18 vehicle for the current year of registration, and/or the
 19 license fee imposed by [section 2]; or

20 (iii) in the case of a motor home, travel trailer, or
 21 camper, the fee in lieu of property tax for the current year
 22 of registration, unless the same shall have been theretofore
 23 paid for the year before the application for registration
 24 or reregistration may be accepted by the county treasurer.

25 (3) The application may not be accepted by the county

treasurer unless the payments required by subsection (2) accompany the application.

~~(3)(4)~~ The county treasurer may make full and complete investigation of the tax status of the vehicle. Any applicant for registration or reregistration must submit proof from the tax or other appropriate records of the proper county at the request of the county treasurer."

Section 24. Section 61-3-317, MCA, is amended to read:

"61-3-317. New registration required for transferred vehicle -- grace period -- penalty -- display of proof of purchase. Except as otherwise provided herein, the new owner of a transferred motor vehicle shall have a grace period of 20 calendar days from the date of purchase to make application and pay the taxes, fees, or both, as provided by part 5 of this chapter ~~or the fee-in-lieu-of-tax-as-provided by--61-3-521~~, unless the tax or fee has been paid for the year, as if the vehicle were being registered for the first time in that registration year. If the motor vehicle was not purchased from a duly licensed motor vehicle dealer as provided in this chapter, it is not a violation of this chapter or any other law for the purchaser to operate the vehicle upon the streets and highways of this state without a certificate of registration during the 20-day period, provided that at all times during that period a bill of sale or other proof of purchase reciting the date of purchase is

clearly displayed in the rear window of the motor vehicle. Registration and license fees collected under 61-3-321 are not required to be paid when a license plate is transferred under this section and 61-3-335. Failure to make application within the time provided herein subjects the purchaser to a penalty of \$10. The penalty shall be collected by the county treasurer at the time of registration and shall be in addition to the fees otherwise provided by law."

Section 25. Section 61-3-322, MCA, is amended to read:

"61-3-322. Certificates of registration -- issuance.

(1) Upon completion of the application for registration on forms furnished by the division, the county treasurer shall file one copy in his office and issue to the applicant two copies of the application marked "Owner's Certificate of Registration and Tax Payment Receipt", one of which shall be marked "file copy".

(2) The certificate of registration shall contain upon the face thereof the information described in 61-3-202(2).

(3) Every owner, upon receiving a registration receipt, shall write his signature thereon with pen and ink in the space provided. Every registration receipt or a notarized photostatic copy or a duplicate thereof furnished by the division shall at all times be carried in the vehicle to which it refers or shall be carried by the person driving or in control of such vehicle, who shall display it upon

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1 demand of a police officer or any officer or employee of the
2 division or the highway department.

3 (4) The county treasurer shall daily forward to the
4 division one copy of all applications for registration
5 received that day.

6 (5) It shall not be necessary for the county treasurer
7 to segregate the amount of taxes or fees for state, county,
8 school district, and municipal purposes in the receipt."

9 Section 26. Section 61-3-332, MCA, is amended to read:

10 "61-3-332. Number plates. (1) Every motor vehicle
11 which shall be driven upon the streets or highways of this
12 state shall display both front and rear a number plate,
13 bearing the distinctive number assigned such vehicle. Such
14 number plate shall be in eight series: one series for owners
15 of motorcars, one for owners of motor vehicles of the
16 motorcycle type, one for trailers, one for trucks, one for
17 dealers in vehicles of the motorcycle type which shall bear
18 the distinctive letters "MCD" or the letters "MC" and the
19 word "DEALER", one for franchised dealers in new motorcars
20 (including trucks and trailers) or new and used motorcars
21 (including trucks and trailers) which shall bear the
22 distinctive letter "D" or the word "DEALER", one for dealers
23 in used motorcars only (including used trucks and trailers)
24 which shall bear the distinctive letters "UD" or the letter
25 "U" and the word "DEALER", and one for dealers in trailers

1 and/or semitrailers (new or used) which shall bear the
2 distinctive letters "DTR" or the letters "TR" and the word
3 "DEALER". All such markings for the aforementioned kinds of
4 dealers' plates shall be placed on the number plates
5 assigned thereto in such position thereon as the division
6 may designate.

7 (2) All number plates for motor vehicles shall be
8 issued for a minimum period of 4 years, shall bear a
9 distinctive marking, and shall be furnished by the state.
10 In years when number plates are not issued, the division
11 shall provide nonremovable stickers bearing appropriate
12 registration numbers which shall be affixed to the license
13 plates in use.

14 (3) In the case of motorcars and trucks, number plates
15 shall be of metal 6 inches wide and 12 inches in length. For
16 number plates issued after 1976, the outline of the state
17 of Montana shall be used as a distinctive border on such
18 license plates, and the word "Montana" with the year shall
19 be placed across the bottom of the plate. Such registration
20 plate shall be treated with a reflectorized background
21 material according to specifications prescribed by the
22 division.

23 (4) The distinctive registration numbers shall begin
24 with a number one or with a letter-number combination such
25 as "A 1" or "AA 1", or any other similar combination of

1 letters and numbers and be numbered consecutively for each
 2 series of plates. The distinctive registration number or
 3 letter-number combination assigned to the vehicle shall
 4 appear on the plate preceded by the number of the county and
 5 appearing in horizontal order on the same horizontal
 6 baseline, and the county number shall be separated from the
 7 distinctive registration number by a separation mark unless
 8 a letter-number combination is used. The dimensions of such
 9 numerals and letters shall be determined by the division,
 10 provided that all county and registration numbers shall be
 11 of equal height.

12 (5) For the use of tax-exempt motor vehicles that are
 13 also exempt from the light vehicle license fee as provided
 14 in subsection (2)(a) of [section 2], in addition to the
 15 markings herein provided, number plates shall have thereon
 16 the following distinctive markings:

17 (a) For vehicles owned by the state the division may
 18 designate the prefix number for the various state
 19 departments, and all numbered plates issued to state
 20 departments shall bear the words "State Owned" and no year
 21 number will be indicated thereon as these numbered plates
 22 will be of a permanent nature, and will be replaced by the
 23 division at such time when the physical condition of
 24 numbered plates requires same.

25 (b) For vehicles owned by the counties,

1 municipalities, irrigation districts organized under the
 2 laws of Montana and not operating for profit, and school
 3 districts and used and operated by officials and employees
 4 thereof in line of duty as such, and for vehicles on loan
 5 from the United States government or the state of Montana,
 6 to, or owned by, the civil air patrol and used and operated
 7 by officials and employees thereof in the line of duty as
 8 such, there shall be placed on the number plates assigned
 9 thereto, in such position thereon as the division may
 10 designate, the letter "X" or the word "EXEMPT". Distinctive
 11 registration numbers for plates assigned to motor vehicles
 12 of each of the counties in the state and those of the
 13 municipalities and school districts situated within each of
 14 said counties and those of the irrigation districts which
 15 obtain plates within each county shall begin with number one
 16 and be numbered consecutively.

17 (6) On all number plates assigned to motor vehicles of
 18 the truck and trailer type, other than tax-exempt trucks
 19 that are also exempt from the light vehicle license fee as
 20 provided in subsection (2)(a) of [section 2] and tax exempt
 21 trailers, there shall appear the letter "T" or the word
 22 "TRUCK" for plates assigned to trucks and the letters "TR"
 23 or the word "TRAILER" for plates assigned to trailers and
 24 house trailers. The letters "MC" or the word "CYCLE" shall
 25 appear for plates assigned to vehicles of the motorcycle

1 type.

2 (7) Number plates issued to a passenger car, truck,
3 trailer, or vehicle of the motorcycle type may be
4 transferred only to a replacement passenger car, truck,
5 trailer, or motorcycle type vehicle. No registration or
6 license fee may be assessed upon a transfer of a number
7 plate under 61-3-317 and 61-3-335.

8 (8) For the purpose of this chapter, the several
9 counties of the state shall be assigned numbers as follows:
10 Silver Bow, 1; Cascade, 2; Yellowstone, 3; Missoula, 4;
11 Lewis and Clark, 5; Gallatin, 6; Flathead, 7; Fergus, 8;
12 Powder River, 9; Carbon, 10; Phillips, 11; Hill, 12;
13 Ravalli, 13; Custer, 14; Lake, 15; Dawson, 16; Roosevelt,
14 17; Beaverhead, 18; Chouteau, 19; Valley, 20; Toole, 21; Big
15 Horn, 22; Musselshell, 23; Blaine, 24; Madison, 25; Pondera,
16 26; Richland, 27; Powell, 28; Rosebud, 29; Deer Lodge, 30;
17 Teton, 31; Stillwater, 32; Treasure, 33; Sheridan, 34;
18 Sanders, 35; Judith Basin, 36; Daniels, 37; Glacier, 38;
19 Fallon, 39; Sweet Grass, 40; McCone, 41; Carter, 42;
20 Broadwater, 43; Wheatland, 44; Prairie, 45; Granite, 46;
21 Meagher, 47; Liberty, 48; Park, 49; Garfield, 50; Jefferson,
22 51; Wibaux, 52; Golden Valley, 53; Mineral, 54; Petroleum,
23 55; Lincoln, 56. Any new counties shall be assigned numbers
24 by the division as they may be formed, beginning with the
25 number 57."

1 Section 27. Section 61-3-335, MCA, is amended to read:

2 "61-3-335. Transfer of license plates to another motor
3 vehicle. (1) Should the transferor make application for the
4 registration of another motor vehicle at any time during the
5 remainder of the current registration year as shown on the
6 original certificate of registration, he may file an
7 application in the office of the county treasurer where the
8 motor vehicle is ~~taxable~~ registered, upon a form to be
9 prepared and furnished by the division, accompanied by the
10 original certificate of registration, for the transfer of
11 the license plates. The application for transfer of the
12 license plates from the motor vehicle for which originally
13 issued to a motor vehicle acquired by the same person in
14 whose name the original license plates were issued shall be
15 made within 20 days from date of acquiring the vehicle. The
16 use of the license plates shall not be legalized until
17 proper transfer of license plates has been made.

18 (2) License plates may be transferred pursuant to this
19 section without transferring ownership of the first vehicle.

20 (3) Upon transfer of the license plates, the
21 registration of the motor vehicle from which the license
22 plates were transferred expires. The certificate of
23 registration for such vehicle must be surrendered to the
24 county treasurer with the application for transfer."

25 Section 28. Section 61-3-342, MCA, is amended to read:

1 "61-3-342. Temporary windshield sticker. Any purchaser
 2 of a motor vehicle who is unable to obtain license plates
 3 from the county treasurer at the time he makes application
 4 for registration or reregistration of ~~said the~~ vehicle
 5 because the certificate of ownership is lost, in the
 6 possession of third parties, or in the process of reissuance
 7 in this state or elsewhere may, upon making affidavit to
 8 that effect upon a form prescribed by the division and upon
 9 the payment of a fee of \$2 to be collected by the county
 10 treasurer and remitted to the division, obtain from the
 11 county treasurer of the county in which ~~said the~~ vehicle is
 12 subject to ~~tax he registered~~ a temporary windshield sticker
 13 of such size, color, and design as the division may
 14 prescribe, to be validated by the county treasurer for a
 15 period of 60 days from the date of issuance. ~~Such the~~
 16 purchaser, upon displaying ~~such the~~ sticker on the lower
 17 right-hand corner of the windshield of ~~such the~~ motor
 18 vehicle, ~~shall be entitled to may~~ operate ~~such the~~ vehicle
 19 during the period for which ~~such the~~ windshield sticker has
 20 been validated without displaying the registration
 21 certificate or number plates or plate for the current year.
 22 ~~Provided, however, the the~~ county treasurer ~~shall may~~ not
 23 sell, and no person ~~shall may~~ purchase, more than one 60-day
 24 temporary windshield sticker for any vehicle, the ownership
 25 of which has not changed since the issuance of the previous

1 60-day windshield sticker."

2 Section 29. Section 61-3-501, MCA, is amended to read:

3 "61-3-501. When vehicle ~~property tax is taxes and fees~~
 4 ~~are~~ due. (1) Property taxes, new car taxes, light vehicle
 5 license fees, and fees in lieu of tax on a motor home or
 6 travel trailer must be paid on the date of registration or
 7 reregistration of the vehicle.

8 (2) If the anniversary date for reregistration of a
 9 vehicle passes while the vehicle is owned and held for sale
 10 by a licensed new or used car dealer, property taxes, light
 11 vehicle license fees, or the fee in lieu of property taxes
 12 abate on such vehicle properly reported with the department
 13 of revenue until the vehicle is sold and thereafter the
 14 purchaser shall pay the pro rata balance of the taxes or the
 15 fee in lieu of tax due and owing on the vehicle.

16 (3) In the event a vehicle's registration period is
 17 changed under 61-3-315, all taxes and other fees due thereon
 18 shall be prorated and paid from the last day of the old
 19 period until the first day of the new period in which the
 20 vehicle shall be registered. Thereafter taxes and other fees
 21 must be paid from the first day of the new period for a
 22 minimum period of 1 year. When the change is to a later
 23 registration period, taxes and fees shall be prorated and
 24 paid based on the same tax year as the original registration
 25 period. Thereafter, during the appropriate anniversary

1 registration period, each vehicle shall again register or
2 reregister and shall pay all taxes and fees due thereon for
3 a 12-month period."

4 Section 30. Section 61-3-502, MCA, is amended to read:

5 "61-3-502. Sales tax on new motor vehicles --
6 exemptions. (1) In consideration of the right to use the
7 highways of the state, there is imposed a tax upon all sales
8 of new motor vehicles for which a license is sought and an
9 original application for title is made. The tax shall be
10 paid by the purchaser when he applies for his original
11 Montana license through the county treasurer.

12 (2) The sales tax shall be:

13 (a) 1 1/2% of the f.o.b. factory list price or f.o.b.
14 port-of-entry list price, during the first quarter of the
15 year or prorated one-twelfth for each month or part of month
16 for a registration period other than a calendar year or
17 calendar quarter;

18 (b) 1 1/8% of the list price during the second quarter
19 of the year;

20 (c) 3/4 of 1% during the third quarter of the year;

21 (d) 3/8 of 1% during the fourth quarter of the year.

22 (3) If the manufacturer or importer fails to furnish
23 the f.o.b. factory list price or f.o.b. port-of-entry list
24 price, the division may use published price lists.

25 (4) The proceeds from this tax shall be remitted to

1 the state treasurer every 30 days for credit to the state
2 highway account of the earmarked revenue fund.

3 (5) The new vehicle is subject to the light vehicle
4 license fee, if applicable, but is not subject to any other
5 assessment, taxation, or fee in lieu of tax during the
6 calendar year in which the original application for title is
7 made.

8 (6) (a) The applicant for original registration of any
9 new and unused motor vehicle, or a new motor vehicle
10 furnished without charge by a dealer to a school district
11 for use as a traffic education motor vehicle by a school
12 district operating a state-approved traffic education
13 program within the state, whether or not previously licensed
14 or titled to the school district (except a mobile home as
15 defined in 15-1-101(1)), acquired by original contract after
16 January 1 of any year, is required, whenever the vehicle has
17 not been otherwise assessed, to pay the motor vehicle sales
18 tax provided by this section irrespective of whether the
19 vehicle was in the state of Montana on January 1 of the
20 year.

21 (b) No motor vehicle may be registered or licensed
22 under the provisions of this subsection unless the
23 application for registration is accompanied by a statement
24 of origin to be furnished by the dealer selling the vehicle,
25 showing that the vehicle has not previously been registered

or owned, except as otherwise provided herein, by any person, firm, corporation, or association that is not a new motor vehicle dealer holding a franchise or distribution agreement from a new car manufacturer, distributor, or importer.

(7) (a) Motor vehicles operating exclusively for transportation of persons for hire within the limits of incorporated cities or towns and within 15 miles from such limits are exempt from subsection (1).

(b) Motor vehicles brought or driven into Montana by a nonresident, migratory, bona fide agricultural worker temporarily employed in agricultural work in this state where those motor vehicles are used exclusively for transportation of agricultural workers are also exempt from subsection (1).

(c) Vehicles lawfully displaying a licensed dealer's plate as provided in 61-4-103 are exempt from subsection (1) when moving to or from a dealer's place of business when unloaded or loaded with dealer's property only, and in the case of vehicles having a gross loaded weight of less than 24,000 pounds, while being demonstrated in the course of the dealer's business."

Section 31. Section 61-3-503, MCA, is amended to read:

"61-3-503. Assessment. (1) Except as provided in subsection (2), the following apply to the taxation of motor

vehicles:

(a) A person who files an application for registration or reregistration of a motor vehicle, ~~other than a motor home, travel trailer, or a mobile home as defined in 15-1-101(1)~~, shall before filing such application with the county treasurer submit the application to the county assessor. The county assessor shall enter on the application in a space to be provided for that purpose the market value and taxable value of the vehicle for the year for which the application for registration is made.

(2) ~~(b)~~ Except as provided in subsection (3) ~~(1)(c)~~, motor vehicles, ~~other than motor homes, travel trailers, or mobile homes as defined in 15-1-101(1)~~, are assessed for taxes on January 1 in each year irrespective of the time fixed by law for the assessment of other classes of personal property and irrespective of whether the levy and tax may be a lien upon real property within the state. In no event may any motor vehicle be subject to assessment, levy, and taxation more than once in each year.

(3) ~~(c)~~ Vehicles subject to the provisions of 61-3-313 through 61-3-316 shall be assessed as of the first day of the registration period, and a lien for taxes and fees due thereon shall occur on the anniversary date of the registration and shall continue until such fees and taxes have been paid.

~~(2) The provisions of subsections (1)(a) through (1)(c) do not apply to automobiles and trucks having a rated capacity of three-quarters of a ton or less, motor homes, travel trailers, or mobile homes as defined in 15-1-101(1).~~"

Section 32. Section 61-3-504, MCA, is amended to read:

"61-3-504. Computation of tax. The amount of taxes on a motor vehicle, other than a ~~an automobile, truck having a rated capacity of three-quarters of a ton or less,~~ motor home, travel trailer, or a mobile home as defined in 15-1-101(1), is computed and determined by the county treasurer on the basis of the levy of the year preceding the current year of application for registration or reregistration. The determination is entered on the application form in a space provided therefor."

Section 33. Section 61-3-507, MCA, is amended to read:

"61-3-507. Exemption. Motor vehicles subject to anniversary date registration as provided in 61-3-313 through 61-3-316 are exempt from the provisions of 61-3-503(2), ~~(1)(b)~~ and 61-3-505."

Section 34. Section 61-3-509, MCA, is amended to read:

"61-3-509. Disposition of taxes and fees in lieu of tax. The county treasurer shall credit all taxes on motor vehicles, ~~light vehicle license fees provided for in [section 2],~~ and fees in lieu of tax on motor homes and travel trailers collected to a motor vehicle suspense fund,

and at some time between March 1 and March 10 of each year and every 60 days thereafter, the county treasurer shall distribute the money in the motor vehicle suspense fund in the relative proportions required by the levies for state, county, school district, and municipal purposes in the same manner as other personal property taxes are distributed."

Section 35. Section 61-3-701, MCA, is amended to read:

"61-3-701. Foreign vehicles used in gainful occupation to be registered -- reciprocity. (1) Before any foreign licensed motor vehicle may be operated on the highways of this state for hire, compensation, or profit or before the owner and/or user thereof uses the vehicle if such owner and/or user is engaged in gainful occupation or business enterprise in the state, including highway work, the owner of the vehicle shall make application to a county treasurer for registration upon an application form furnished by the division. Upon satisfactory evidence of ownership submitted to the county treasurer and the payment of property taxes, ~~if appropriate,~~ as required by 15-8-201 through 15-8-203 or 15-24-301 ~~or the payment of the light vehicle license fee as provided by [section 2],~~ the treasurer shall accept the application for registration and shall collect the regular license fee required for the vehicle.

(2) The treasurer shall thereupon issue to the applicant a copy of the application entitled "Owner's

Certificate of Registration and ~~Fee~~ Payment Receipt" and forward a duplicate copy of the certificate to the division. The treasurer shall at the same time issue to the applicant the proper license plates or other identification markers, which shall at all times be displayed upon the vehicle when operated or driven upon roads and highways of this state during the period of the life of the license.

(3) The registration receipt shall not constitute evidence of ownership but shall be used only for registration purposes. No Montana certificate of ownership shall be issued for this type of registration.

(4) This section is not applicable to any vehicle covered by a valid and existing reciprocal agreement or declaration entered into under the provisions of the laws of Montana."

Section 36. Section 61-6-302, MCA, is amended to read:

"61-6-302. Proof of compliance. (1) Before ~~Except as provided in subsection (2), before~~ any applicant required to register his motor vehicle may do so, the applicant must certify and display to the county treasurer an automobile liability insurance policy, a certificate of self-insurance, a posted indemnity bond, or eligibility for an exemption under 61-6-303 covering the motor vehicle. The certification shall be on a form prescribed by the division of motor vehicles. The division may immediately cancel the

registration and license plates of the vehicle upon notification that the insurance certification was not correctly represented.

~~(2) An applicant for registration of an automobile or a truck having a rated capacity of three-quarters of a ton or less, who wishes to register the vehicle by mail must sign a statement on the application stating that the applicant is in compliance with the financial liability requirements of 61-6-301.~~

~~(2)(3)~~ An owner of a motor vehicle who ceases to maintain the insurance or bond required or whose certificate of self-insurance is canceled or whose vehicle ceases to be exempt shall immediately surrender the registration and license plates for the vehicle to the county treasurer for delivery to the division and may not operate or permit operation of the vehicle in Montana until insurance has again been furnished as required and the vehicle is again registered and licensed."

Section 37. Section 61-10-233, MCA, is amended to read:

"61-10-233. Excess weight -- penalties. (1) The operator is subject to the penalties stated in 61-10-232 whenever the gross loaded weight of any trucks, truck tractor, trailer, or semitrailer operated upon any highway in this state exceeds the gross vehicle weight shown on:

1 (a) the owner's certificate of registration and tax
2 payment receipt issued under 61-3-322; or

3 (b) the gross vehicle weight receipt issued under
4 61-10-227.

5 (2) In addition, the operator shall immediately pay to
6 the nearest county treasurer or to the department the
7 difference between the fee already paid and that applicable
8 to the gross weight of his vehicle before unloading the
9 excess, provided that it does not exceed the legal axle
10 weight."

11 Section 38. Section 7-1-2111, MCA, is amended to read:

12 "7-1-2111. Classification of counties. (1) For the
13 purpose of regulating the compensation and salaries of all
14 county officers, not otherwise provided for, and for fixing
15 the penalties of officers' bonds, the several counties of
16 this state shall be classified according to that percentage
17 of the true and full valuation of the property therein upon
18 which the tax levy is made, as follows:

19 (1)(a) first class--all counties having such a taxable
20 valuation of \$50 million or over;

21 (2)(b) second class--all counties having such a
22 taxable valuation of more than \$30 million and less than \$50
23 million;

24 (3)(c) third class--all counties having such a taxable
25 valuation of more than \$20 million and less than \$30

1 million;

2 (4)(d) fourth class--all counties having such a
3 taxable valuation of more than \$15 million and less than \$20
4 million;

5 (5)(e) fifth class--all counties having such a taxable
6 valuation of more than \$10 million and less than \$15
7 million;

8 (6)(f) sixth class--all counties having such a taxable
9 valuation of more than \$5 million and less than \$10 million;

10 (7)(g) seventh class--all counties having such a
11 taxable valuation of less than \$5 million.

12 (2) As used in this section, taxable valuation means
13 the taxable value of taxable property in the county as of
14 the time of determination plus that portion of the taxable
15 value of the county on December 31, 1981, attributable to
16 automobiles and trucks having a rated capacity of
17 three-quarters of a ton or less."

18 Section 39. Section 7-3-1321, MCA, is amended to read:

19 "7-3-1321. Authorization to incur indebtedness --
20 limitation. (1) The consolidated municipality may borrow
21 money or issue bonds for any municipal purpose to the extent
22 and in the manner provided by the constitution and laws of
23 Montana for the borrowing of money or issuing of bonds by
24 counties and cities and towns.

25 (2) The municipality ~~shall~~ may not become indebted in

1 any manner or for any purpose to an amount, including
 2 existing indebtedness, in the aggregate exceeding 5% ~~28%~~ of
 3 the ~~taxable~~ value of the taxable property therein, as
 4 ascertained by the last assessment for state and county
 5 taxes prior to incurring such indebtedness. All warrants,
 6 bonds, or obligations in excess of such amount given by or
 7 on behalf of the municipality shall be void."

8 Section 40. Section 7-6-2211, MCA, is amended to read:

9 "7-6-2211. Authorization to conduct county business on
 10 a cash basis. (1) In case the total indebtedness of a
 11 county, lawful when incurred, exceeds the limit of ~~10%~~ ~~22.5%~~
 12 established in 7-7-2101 by reason of great diminution of
 13 taxable value, the county may conduct its business affairs
 14 on a cash basis and pay the reasonable and necessary current
 15 expenses of the county out of the cash in the county
 16 treasury derived from its current revenue and under such
 17 restrictions and regulations as may be imposed by the board
 18 of county commissioners of the county by a resolution duly
 19 adopted and included in the minutes of the board.

20 (2) Nothing in this section restricts the right of the
 21 board to make the necessary tax levies for interest and
 22 sinking fund purposes, and nothing in this section affects
 23 the right of any creditor of the county to pursue any remedy
 24 now given him by law to obtain payment of his claim."

25 Section 41. Section 7-6-4121, MCA, is amended to read:

1 "7-6-4121. Authorization to conduct municipal business
 2 on a cash basis. (1) In case the total indebtedness of a
 3 city or town has reached ~~11%~~ ~~17%~~ of the total taxable value
 4 of the property of the city or town subject to taxation, as
 5 ascertained by the last assessment for state and county
 6 taxes, the city or town may conduct its affairs and business
 7 on a cash basis as provided by subsection (2).

8 (2) (a) Whenever a city or town is conducting its
 9 business affairs on a cash basis, the reasonable and
 10 necessary current expenses of the city or town may be paid
 11 out of the cash in the city or town treasury and derived
 12 from its current revenues, under such restrictions and
 13 regulations as the city or town council may by ordinance
 14 prescribe.

15 (b) In the event that payment is made in advance, the
 16 city or town may require a cash deposit as collateral
 17 security and indemnity, equal in amount to such payment, and
 18 may hold the same as a special deposit with the city
 19 treasurer or town clerk, in package form, as a pledge for
 20 the fulfillment and performance of the contract or
 21 obligation for which the advance is made.

22 (c) Before the payment of the current expenses
 23 mentioned above, the city or town council shall first set
 24 apart sufficient money to pay the interest upon its legal,
 25 valid, and outstanding bonded indebtedness and any sinking

1 funds therein provided for and shall be authorized to pay
2 all valid claims against funds raised by tax especially
3 authorized by law for the purpose of paying such claims."

4 Section 42. Section 7-6-4254, MCA, is amended to read:
5 "7-6-4254. Limitation on amount of emergency budgets
6 and appropriations. (1) The total of all emergency budgets
7 and appropriations made therein in any one year and to be
8 paid from any city fund shall ~~may~~ not exceed ~~25%~~ 38% of the
9 total amount which could be produced for such city fund by a
10 maximum levy authorized by law to be made for such fund, as
11 shown by the last completed assessment roll of the county.

12 (2) The term "taxable property", as used herein, means
13 the percentage of the value at which such property is
14 assessed and which percentage is used for the purposes of
15 computing taxes and does not mean the assessed value of such
16 property as the same appears on the assessment roll."

17 Section 43. Section 7-7-107, MCA, is amended to read:

18 "7-7-107. Limitation on amount of bonds for
19 city-county consolidated units. (1) Except as provided in
20 7-7-108, no city-county consolidated local government may
21 issue bonds for any purpose which, with all outstanding
22 indebtedness, may exceed ~~27%~~ 32% of the taxable value of the
23 property therein subject to taxation as ascertained by the
24 last assessment for state and county taxes.

25 (2) The issuing of bonds for the purpose of funding or

1 refunding outstanding warrants or bonds is not the incurring
2 of a new or additional indebtedness but is merely the
3 changing of the evidence of outstanding indebtedness."

4 Section 44. Section 7-7-108, MCA, is amended to read:

5 "7-7-108. Authorization for additional indebtedness
6 for water or sewer systems. (1) For the purpose of
7 constructing a sewer system or procuring a water supply or
8 constructing or acquiring a water system for a city-county
9 consolidated government which shall own and control such
10 water supply and water system and devote the revenues
11 therefrom to the payment of the debt, a city-county
12 consolidated government may incur an additional indebtedness
13 by borrowing money or issuing bonds.

14 (2) The additional indebtedness which may be incurred
15 by borrowing money or issuing bonds for the construction of
16 a sewer system or for the procurement of a water supply or
17 for both such purposes may not in the aggregate exceed 10%
18 over and above the ~~27%~~ 32% referred to in 7-7-107 of the
19 taxable value of the property therein subject to taxation as
20 ascertained by the last assessment for state and county
21 taxes."

22 Section 45. Section 7-7-2101, MCA, is amended to read:

23 "7-7-2101. Limitation on amount of county
24 indebtedness. (1) No county may become indebted in any
25 manner or for any purpose to an amount, including existing

1 indebtedness, in the aggregate exceeding ~~10%~~ 23% of the
2 taxable value of the property therein subject to taxation as
3 ascertained by the last assessment for state and county
4 taxes previous to the incurring of such indebtedness.

5 (2) No county may incur indebtedness or liability for
6 any single purpose to an amount exceeding \$40,000 without
7 the approval of a majority of the electors thereof voting at
8 an election to be provided by law, except as provided in
9 7-21-3413 and 7-21-3414."

10 Section 46. Section 7-7-2203, MCA, is amended to read:

11 "7-7-2203. Limitation on amount of bonded
12 indebtedness. (1) Except as provided in subsections (2) and
13 (3), no county may issue general obligation bonds for any
14 purpose which, with all outstanding bonds and warrants
15 except county high school bonds and emergency bonds, will
16 exceed 9% ~~11.25%~~ of the taxable value of the property
17 therein, to be ascertained by the last assessment for state
18 and county taxes prior to the proposed issuance of bonds.

19 (2) A county may issue bonds which, with all
20 outstanding bonds and warrants, will exceed 9% ~~11.25%~~ but
21 will not exceed 29% ~~31%~~ of the taxable value of such
22 property, when necessary to do so, for the purpose of
23 acquiring land for a site for county high school buildings
24 and for erecting or acquiring buildings thereon and
25 furnishing and equipping the same for county high school

1 purposes.

2 (3) The foregoing limitation shall not apply to
3 refunding bonds issued for the purpose of paying or retiring
4 county bonds lawfully issued prior to January 1, 1932."

5 Section 47. Section 7-7-4201, MCA, is amended to read:

6 "7-7-4201. Limitation on amount of bonded
7 indebtedness. (1) Except as otherwise provided, no city or
8 town may issue bonds or incur other indebtedness for any
9 purpose in an amount which with all outstanding and unpaid
10 indebtedness will exceed ~~10%~~ 23% of the taxable value of the
11 property therein subject to taxation, to be ascertained by
12 the last assessment for state and county taxes.

13 (2) The issuing of bonds for the purpose of funding or
14 refunding outstanding warrants or bonds is not the incurring
15 of a new or additional indebtedness but is merely the
16 changing of the evidence of outstanding indebtedness."

17 Section 48. Section 7-7-4202, MCA, is amended to read:

18 "7-7-4202. Special provisions relating to water and
19 sewer systems. (1) Notwithstanding the provisions of
20 7-7-4201, for the purpose of constructing a sewer system,
21 procuring a water supply, or constructing or acquiring a
22 water system for a city or town which owns and controls the
23 water supply and water system and devotes the revenues
24 therefrom to the payment of the debt, a city or town may
25 incur an additional indebtedness by borrowing money or

1 issuing bonds.

2 (2) The additional total indebtedness that may be
3 incurred by borrowing money or issuing bonds for the
4 construction of a sewer system, for the procurement of a
5 water supply, or for both such purposes, including all
6 indebtedness theretofore contracted which is unpaid or
7 outstanding, may not in the aggregate exceed ~~36%~~ 55% over
8 and above the ~~18%~~ 28%, referred to in 7-7-4201, of the
9 taxable value of the property therein subject to taxation as
10 ascertained by the last assessment for state and county
11 taxes."

12 Section 49. Section 7-13-4103, MCA, is amended to
13 read:

14 "7-13-4103. Limitation on indebtedness for acquisition
15 of natural gas system. The total amount of indebtedness
16 authorized to be contracted in any form, including the
17 then-existing indebtedness, must not at any time exceed ~~11%~~
18 17% of the total taxable value of the property of the city
19 or town subject to taxation as ascertained by the last
20 assessment for state and county taxes."

21 Section 50. Section 7-14-236, MCA, is amended to read:

22 "7-14-236. Limitation on bonded indebtedness. The
23 amount of bonds issued to provide funds for the district and
24 outstanding at any time shall not exceed ~~5%~~ 28% of the
25 taxable value of taxable property therein as ascertained by

1 the last assessment for state and county taxes previous to
2 the issuance of such bonds."

3 Section 51. Section 7-14-2524, MCA, is amended to
4 read:

5 "7-14-2524. Limitation on amount of bonds issued --
6 excess void. (1) Except as otherwise provided hereafter and
7 in 7-7-2203 and 7-7-2204, no county shall issue bonds which,
8 with all outstanding bonds and warrants except county high
9 school bonds and emergency bonds, will exceed ~~9%~~ 11.25% of
10 the taxable value of the property therein. The taxable
11 property shall be ascertained by the last assessment for
12 state and county taxes prior to the issuance of such bonds.

13 (2) A county may issue bonds which, with all
14 outstanding bonds and warrants except county high school
15 bonds, will exceed ~~9%~~ 11.25% but will not exceed ~~18%~~ 22.5%
16 of the taxable value of such property when necessary for the
17 purpose of replacing, rebuilding, or repairing county
18 buildings, bridges, or highways which have been destroyed or
19 damaged by an act of God, disaster, catastrophe, or
20 accident.

21 (3) The value of the bonds issued and all other
22 outstanding indebtedness of the county, except county high
23 school bonds, shall not exceed ~~18%~~ 22.5% of the taxable
24 value of the property within the county as ascertained by
25 the last preceding general assessment."

Section 52. Section 7-14-2525, MCA, is amended to read:

"7-14-2525. Refunding agreements and refunding bonds authorized. (1) Whenever the total indebtedness of a county exceeds ~~10%~~ 22.5% of the taxable value of the property therein and the board determines that the county is unable to pay such indebtedness in full, the board may:

(a) negotiate with the bondholders for an agreement whereby the bondholders agree to accept less than the full amount of the bonds and the accrued unpaid interest thereon in satisfaction thereof;

(b) enter into such agreement;

(c) issue refunding bonds for the amount agreed upon.

(2) These bonds may be issued in more than one series, and each series may be either amortization or serial bonds.

(3) The plan agreed upon between the board and the bondholders shall be embodied in full in the resolution providing for the issue of the bonds."

Section 53. Section 7-14-4402, MCA, is amended to read:

"7-14-4402. Limit on indebtedness to provide bus service. The total amount of indebtedness authorized under 7-14-4401(1) to be contracted in any form, including the then-existing indebtedness, may not at any time exceed ~~10%~~ 28% of the total taxable value of the property of the city

or town subject to taxation as ascertained by the last assessment for state and county taxes. No money may be borrowed or bonds issued for the purposes specified in 7-14-4401(1) until the proposition has been submitted to the vote of the taxpayers of the city or town and the majority vote cast in its favor."

Section 54. Section 7-16-2327, MCA, is amended to read:

"7-16-2327. Indebtedness for park purposes. (1) Subject to the provisions of subsection (2), a county park board, in addition to powers and duties now given under law, shall have the power and duty to contract an indebtedness in behalf of a county, upon the credit thereof, for the purposes of 7-16-2321(1) and (2).

(2) (a) The total amount of indebtedness authorized to be contracted in any form, including the then-existing indebtedness, must not at any time exceed ~~3%~~ 13% of the ~~taxable~~ value of the taxable property of ~~in~~ the county ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

(b) No money ~~must~~ may be borrowed on bonds issued for the purchase of lands and improving same for any such purpose until the proposition has been submitted to the vote of those qualified under the provisions of the state constitution to vote at such election in the county affected

1 thereby and a majority vote is cast in favor thereof."

2 Section 55. Section 7-16-4104, MCA, is amended to
3 read:

4 "7-16-4104. Authorization for municipal indebtedness
5 for various cultural, social, and recreational purposes. (1)
6 A city or town council or commission may contract an
7 indebtedness on behalf of the city or town, upon the credit
8 thereof, by borrowing money or issuing bonds:

9 (a) for the purpose of purchasing and improving lands
10 for public parks and grounds;

11 (b) for procuring by purchase, construction, or
12 otherwise swimming pools, athletic fields, skating rinks,
13 playgrounds, museums, a golf course, a site and building for
14 a civic center, a youth center, or combination thereof; and

15 (c) for furnishing and equipping the same.

16 (2) The total amount of indebtedness authorized to be
17 contracted in any form, including the then-existing
18 indebtedness, may not at any time exceed 3% ~~16.5%~~ of the
19 taxable value of the taxable property of the city or town as
20 ascertained by the last assessment for state and county
21 taxes previous to the incurring of such indebtedness. No
22 money may be borrowed on bonds issued for the purchase of
23 lands and improving the same for any such purpose until the
24 proposition has been submitted to the vote of the qualified
25 electors of the city or town and a majority vote is cast in

1 favor thereof."

2 Section 56. Section 7-31-106, MCA, is amended to read:

3 "7-31-106. Authorization for county to issue bonds --
4 election required. (1) If the petition is presented to the
5 board of county commissioners, it shall be the duty of the
6 board, for the purpose of raising money to meet the payments
7 under the terms and conditions of said contract and other
8 necessary and proper expenses in and about the same and for
9 the approval or disapproval thereof:

10 (a) to ascertain, within 30 days after submission of
11 the petition, the existing indebtedness of the county in the
12 aggregate; and

13 (b) to submit, within 60 days after ascertaining the
14 same, to the electors of such county the proposition to
15 approve or disapprove the contract and the issuance of bonds
16 necessary to carry out the same.

17 (2) The amount of the bonds authorized by this section
18 ~~shall may~~ not exceed 5% ~~22.5%~~ of the ~~taxable~~ value of the
19 taxable property therein, inclusive of the existing
20 indebtedness thereof, to be ascertained by the last
21 assessment for state and county taxes previous to the
22 issuance of said bonds and incurring of said indebtedness."

23 Section 57. Section 7-31-107, MCA, is amended to read:

24 "7-31-107. Authorization for municipality to issue
25 bonds -- election required. (1) If said petition is

presented to the council of any incorporated city or town, the council, for the purpose of raising money to meet the payments under the terms and conditions of said contract and other necessary and proper expenses in and about the same and for the approval or disapproval thereof:

(a) shall ascertain, within 30 days after submission of the petition, the aggregate indebtedness of such city or town; and

(b) shall submit, within 60 days after ascertaining the same, to the electors of such city or town the proposition to approve or disapprove said contract and the issuance of bonds necessary to carry out the same.

(2) The amount of the bonds authorized by this section shall not exceed 3% ~~16.5%~~ of the taxable value of the taxable property therein, inclusive of the existing indebtedness thereof, to be ascertained in the manner provided in this part."

Section 58. Section 7-34-2131, MCA, is amended to read:

"7-34-2131. Hospital district bonds authorized. (1) A hospital district may borrow money by the issuance of its bonds to provide funds for payment of part or all of the cost of acquisition, furnishing, equipment, improvement, extension, and betterment of hospital facilities and to provide an adequate working capital for a new hospital.

(2) The amount of bonds issued for such purpose and outstanding at any time shall not exceed 5% ~~22.5%~~ of the taxable ~~value of the~~ property therein as ascertained by the last assessment for state and county taxes previous to the issuance of such bonds.

(3) Such bonds shall be authorized, sold, and issued and provisions made for their payment in the manner and subject to the conditions and limitations prescribed for bonds of second- or third-class school districts by Title 20, chapter 9, part 4.

(4) Nothing herein shall be construed to preclude the provisions of Title 50, chapter 6, part 1, allowing the state to apply for and accept federal funds."

Section 59. Section 19-11-503, MCA, is amended to read:

"19-11-503. Special tax levy for fund required. (1) The purpose of this section is to provide a means by which each disability and pension fund may be maintained at a level equal to 2% ~~3%~~ of the taxable valuation of all taxable property within the limits of the city or town.

(2) Whenever the fund contains less than 2% ~~3%~~ of the taxable valuation of all taxable property within the limits of the city or town, the governing body of the city or town shall, at the time of the levy of the annual tax, levy a special tax as provided in 19-11-504. The special tax shall

1 be collected as other taxes are collected and, when so
2 collected, shall be paid into the disability and pension
3 fund."

4 Section 60. Section 19-11-504, MCA, is amended to
5 read:

6 "19-11-504. Amount of special tax levy. (1) Whenever
7 the total amount of the fund is less than 2% ~~2%~~ of the
8 taxable valuation of all taxable property within the limits
9 of the city or town, the special tax levy shall be:

10 (a) not less than 1 mill or more than 4 mills on each
11 dollar of taxable valuation of all taxable property within
12 the limits of the city or town; and

13 (b) an amount sufficient to provide a growth per year
14 in the fund, considering all sources of income to the fund
15 and the payment of obligations out of the fund, equal to the
16 sum produced by 1 mill levied on the taxable valuation of
17 all the taxable property in the city or town.

18 (2) The special tax levy shall be a fractional part of
19 1 mill whenever:

20 (a) the total amount of the fund is less than 2% ~~2%~~
21 but more than ~~1%~~ 1.5% of the taxable valuation of all
22 taxable property within the city or town; and

23 (b) the special tax levy of a fractional part of 1
24 mill will produce sufficient revenue to cause the fund,
25 considering all sources of income to the fund and all

1 payments to be made out of the fund, to exceed 2% ~~1%~~ of the
2 taxable valuation of all taxable property within the city or
3 town.

4 (3) In cities of the third class, when the fund
5 contains an amount which is less than 2% ~~1%~~ of the taxable
6 valuation of all taxable property in the city or town, the
7 city council shall levy an annual special tax of not less
8 than 1 mill and not more than 4 mills on each dollar of
9 taxable valuation of all taxable property within the city or
10 town."

11 Section 61. Section 20-9-406, MCA, is amended to read:

12 "20-9-406. Limitations on amount of bond issue. (1)
13 The maximum amount for which each school district may become
14 indebted by the issuance of bonds, including all
15 indebtedness represented by outstanding bonds of previous
16 issues and registered warrants, is 29% ~~45%~~ of the taxable
17 value of the property subject to taxation as ascertained by
18 the last completed assessment for state, county, and school
19 taxes previous to the incurring of such indebtedness. The
20 29% ~~45%~~ maximum, however, may not pertain to indebtedness
21 imposed by special improvement district obligations or
22 assessments against the school district. All bonds issued
23 in excess of such amount shall be null and void, except as
24 provided in this section.

25 (2) When the total indebtedness of a school district

1 has reached the 29% ~~45%~~ limitation prescribed in this
 2 section, the school district may pay all reasonable and
 3 necessary expenses of the school district on a cash basis in
 4 accordance with the financial administration provisions of
 5 this chapter.

6 (3) Whenever bonds are issued for the purpose of
 7 refunding bonds, any moneys to the credit of the debt
 8 service fund for the payment of the bonds to be refunded are
 9 applied towards the payment of such bonds and the refunding
 10 bond issue is decreased accordingly.*

11 Section 62. Section 20-9-502, MCA, is amended to read:

12 "20-9-502. Purpose and authorization of a building
 13 reserve fund by an election. (1) The trustees of any
 14 district, with the approval of the qualified electors of the
 15 district, may establish a building reserve for the purpose
 16 of raising money for the future construction, equipping, or
 17 enlarging of school buildings or for the purpose of
 18 purchasing land needed for school purposes in the district.
 19 In order to submit to the qualified electors of the district
 20 a building reserve proposition for the establishment of or
 21 addition to a building reserve, the trustees shall pass a
 22 resolution that specifies:

23 (a) the purpose or purposes for which the new or
 24 addition to the building reserve will be used;

25 (b) the duration of time over which the new or

1 addition to the building reserve will be raised in annual,
 2 equal installments;

3 (c) the total amount of money that will be raised
 4 during the duration of time specified in subsection (1)(b);
 5 and

6 (d) any other requirements under 20-20-201 for the
 7 calling of an election.

8 (2) The total amount of building reserve when added to
 9 the outstanding indebtedness of the district shall not be
 10 more than 5% ~~45%~~ of the taxable value of the taxable
 11 property of the district. Such limitation shall be
 12 determined in the manner provided in 20-9-406. A building
 13 reserve tax authorization shall not be for more than 20
 14 years.

15 (3) The election shall be conducted in accordance with
 16 the school election laws of this title, and the electors
 17 qualified to vote in the election shall be qualified under
 18 the provisions of 20-20-301. The ballot for a building
 19 reserve proposition shall be substantially in the following
 20 form:

21 OFFICIAL BALLOT

22 SCHOOL DISTRICT BUILDING RESERVE ELECTION

23 INSTRUCTIONS TO VOTERS: Make an X or similar mark in
 24 the vacant square before the words "BUILDING RESERVE--YES"
 25 if you wish to vote for the establishment of a building

1 reserve (addition to the building reserve); if you are
2 opposed to the establishment of a building reserve (addition
3 to the building reserve) make an X or similar mark in the
4 square before the words "BUILDING RESERVE--NO".

5 Shall the trustees be authorized to impose an
6 additional levy each year for years to establish a
7 building reserve (add to the building reserve) of this
8 school district to raise a total amount of dollars
9 (\$....); for the purpose(s) (here state the purpose or
10 purposes for which the building reserve will be used)?

11 ☐ BUILDING RESERVE--YES.

12 ☐ BUILDING RESERVE--NO.

13 (4) The building reserve proposition shall be approved
14 if a majority of those electors voting at the election
15 approve the establishment of or addition to such building
16 reserve. The annual budgeting and taxation authority of the
17 trustees for a building reserve shall be computed by
18 dividing the total authorized amount by the specified number
19 of years. The authority of the trustees to budget and
20 impose the taxation for the annual amount to be raised for
21 the building reserve shall lapse when, at a later time, a
22 bond issue is approved by the qualified electors of the
23 district for the same purpose or purposes for which the
24 building reserve fund of the district was established.
25 Whenever a subsequent bond issue is made for the same

1 purpose or purposes of a building reserve, the money in the
2 building reserve shall be used for such purpose or purposes
3 before any money realized by the bond issue is used."

4 Section 63. Section 85-7-2001, MCA, is amended to
5 read:

6 "85-7-2001. Limitations on debt-incurring power. (1)
7 The board of commissioners or other officers of the district
8 may not incur any debt or liability, either by issuing bonds
9 or otherwise, except as provided in this chapter. No
10 irrigation district may become indebted, in any manner or
11 for any purpose in any one year, in an amount exceeding ~~15%~~
12 ~~18.75%~~ of the assessed valuation of the district, except as
13 provided in subsection (2).

14 (2) (a) For the purpose of organization; for any of
15 the immediate purposes of this chapter; to make or purchase
16 surveys, plans, and specifications; for stream gauging and
17 gathering data; or to make any repairs occasioned by any
18 calamity or other unforeseen contingency, the board of
19 commissioners may, in any one year, incur the indebtedness
20 of as many dollars as there are acres in the district and
21 may cause warrants of the district to issue therefor.

22 (b) For the purpose of organization, for any of the
23 immediate purposes of this chapter, or to meet the expenses
24 occasioned by any calamity or other unforeseen contingency,
25 the board of commissioners may, in any one year, incur (in

1 addition to the ~~±5% 18.75%~~ limitation of subsection (1)) an
2 additional indebtedness not exceeding ~~±0% 12.5%~~ of the
3 assessed valuation of the district and may cause warrants of
4 the district to issue therefor.

5 (c) The limitation of subsection (1) does not apply to
6 warrants issued for unpaid interest on the valid bonds of
7 any irrigation district.

8 (d) The limitation of subsection (1) does not apply to
9 any bonds issued under this chapter pursuant to a provision
10 which expressly supersedes the limitation.

11 (3) Any debt or liability incurred in excess of the
12 limitations provided by the irrigation district laws is
13 void."

14 Section 64. Validation. Notwithstanding any provisons
15 of this act, any outstanding indebtedness or bond issue on
16 January 1, 1982, of any governmental subdivision is not
17 invalidated because of any changes in the taxable valuation
18 of the subdivision due to removal of automobiles and trucks
19 having a rated capacity of three-quarters of a ton or less
20 from the tax base.

21 Section 65. Codification instruction. Sections 1
22 through 6 are intended to be codified as an integral part of
23 Title 61, chapter 3, part 5, and the provisions of Title 61
24 apply to sections 1 through 6.

25 Section 66. Effective date. (1) Except as provided in

1 subsection (2), this act is effective January 1, 1982.

2 (2) Section 5 is effective on passage and approval.

-End-

SB 355

STATE OF MONTANA

REQUEST NO. 297-81

FISCAL NOTE

Form BD-15

In compliance with a written request received February 4, 1981, there is hereby submitted a Fiscal Note for Senate Bill 355 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION

This proposal would replace the current ad valorem tax on automobiles and light trucks with a system of uniform fees. It increases limits for various indebtedness categories which are set in terms of taxable value in order to offset the effect of removing automobiles and light trucks from the tax base. It provides for reimbursement of local governments for the revenue loss suffered because of the change from an ad valorem tax to the fee system.

Data from the 1980 plate year Motor Vehicle Division computer tape are used in deriving the estimate. About 12.7% of the records in the data file are unusable for computation so the estimate is based on the 87.3% of the data which is usable and the result expanded to the entire file under the assumption that the 87.3% portion constitutes a representative sample.

Actual computation shows that the fee system in this proposal would have raised \$14,331,903 or 48.065% of the \$29,817,729 raised by the ad valorem tax. An additional computation showed that if the fee structure were inflated by 10%, it raised \$15,765,094 or 52.871% as much as the tax. The following assumptions are used:

1. The average mill levy applied to motor vehicles is 220 mills for 1981 and 230 mills for 1982.
2. The university levy is 6 mills.
3. For 1981, automobiles and light trucks will have a taxable value of \$140.603 M, and would be \$145.965 M for 1982 in the absence of the enactment of this measure.
4. The increase in the PCE between second quarter 1981 and second quarter 1982 will be 10%.
5. The total number of vehicles will be 2.25% larger in 1982 than in 1981.

	Calendar 1982	Calendar 1983
Local Gov'ts:		
Fee System Revenue	\$ 16.132 M	\$ 18.427 M
Reimbursement		
from State 3/1	\$ 16.069 M	\$ 16.431 M
	\$ 32.201 M	\$ 34.858 M

(Continued on page two)

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: _____

STATE OF MONTANA

REQUEST NO. 297-81

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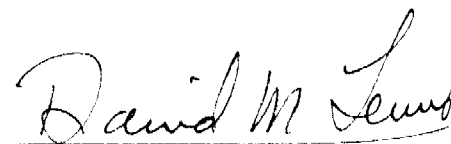
DESCRIPTION (Continued)

	FY82	FY83
State		
Present law		
Reimbursement	0	0
to counties	\$ 16.069 M	\$ 16.431 M
	(\$ 16.069 M)	(\$ 16.431 M)

EFFECT ON LOCAL GOVERNMENT

Remark: The flow of revenue to counties under this proposal will be somewhat different than it is under the ad valorem tax system. However, the fee system revenue together with the reimbursement from the state should be a fairly close approximation of the total amount of revenue from the ad valorem tax during a given calendar year period.

PREPARED BY THE DEPARTMENT OF REVENUE



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-9-81

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 16, 1981

The twenty-eighth meeting of the committee was called to order at 8:00 a.m. in Room 415 of the State Capitol Building, Chairman Pat Goodover presiding.

ROLL CALL: All members were present.

CONSIDERATION OF SENATE BILL 355:

"AN ACT TO REPLACE THE PRESENT SYSTEM OF TAXATION OF AUTOMOBILES AND LIGHT TRUCKS WITH A FEE SYSTEM; ADJUSTING THE PERCENTAGE LIMITS ON CERTAIN FINANCIAL ACTIVITIES BY LOCAL GOVERNMENTS, AND PROVIDING FINANCIAL ASSISTANCE TO LOCAL GOVERNMENTS BECAUSE OF CHANGE IN TAX BASE; AMENDING MANY SECTIONS, MCA; AND PROVIDING EFFECTIVE DATES."

Senator Blaylock presented the bill saying nearly everyone agrees with the fact we need a flat fee system for licensing cars and trucks, but not everyone agrees on the details. He said the heart of the bill is in the first 6 sections, asking Terry Cohea to give more details.

PROPOSERS: Representative Fabrega, co-sponsor of SB 355 said the entry will take place on January 1, 1982. Cyclical licensing will remain where licenses ending in "one" are paid in January, "two" in February, etc. During 1981 the counties will keep a record of tax receipts. All income should be accounted for by October, number of vehicles licensed should be known, money collected based on the present tax, and a calculation will be made of how much they received based on the difference between tax received and how many vehicles they report. He said automobiles are taxed at a rate three times higher than residences. His comments on SB 356: he believed that by bringing the tax on oil severance to 5% Montana would be coming to an average of all other states. He felt it made sense to make revenue from oil available to local governments in this area. He said the fee system will be able to handle relicensing by mail with a card notification.

Larry Fasbender, legislative liaison for the governor; Don Judge, AFL-CIO; Larry Tobiason, Montana Automobile Association; Joe Lamson, Democratic Central Committee; Jerry Roenig, Montana Automobile Dealers Association; Mike Stephen, Montana Association of Counties.

Senator Severson asked for more information as far as state pay back on county revenue loss was concerned.

It was explained that the first year the flat fee (page 2 of bill) will be used. From then on counties would use a formula based on the CTE to find out how many light trucks and vehicles are in the

county, calculate the tax loss, use the indicator, reimburse the county dollar for dollar for what they lose. This would be done on an annual basis. The fee will rise tied to the inflation rate, but a reimbursement fee would be received by the counties for each vehicle in the county for a given year. When the county gets the fee from the vehicle, they will treat it like a property tax.

Hearing was closed on Senate Bill 355.

CONSIDERATION OF SENATE BILL 356:

"AN ACT TO AMEND SECTION 15-36-101, MCA, TO PROVIDE A SINGLE PERCENTAGE RATE OF 5 PERCENT TO BE USED IN COMPUTING THE SEVERANCE TAX ON PETROLEUM; PROVIDING AN APPLICABILITY DATE."

Senator Blaylock said to grant equity to automobile owners will cost money. The loss comes to about 32 million dollars. That brings us to SB 356. If flat fee licensing is granted, we have to take SB 356 or find an alternate source to tax. What SB 356 will do is raise oil severance tax to a flat 5%. Montana's oil tax was put on in 1921; last increase was in 1962. To put the oil severance tax on and then to apportion that out to the people using that product is not unfair. It is within the whole oil complex that this is being worked out.

Terry Cohea passed out a sheet detailing the effective tax rate on oil production in various states, Attachment #1. The source of her information was in the state statutes and then she called Departments of Revenues in each state to see that the information was up to date and correct.

Her last point was that the federal government has just imposed the windfall profits tax on the difference between new price of oil and old control price. If this 5% severance tax is not imposed the federal government will receive approximately 6 million dollars more from oil production in Montana because producers will not have this deduction.

PROPOSERS: Larry Fasbender cautioned the committee to be careful with documentation they will be given to consider. Local government is losing money by bills that have been proposed in this session. Without SB 356 you cannot have tax relief because you have to fund local governments.

Larry Tobiason, Montana Automobile Association, and Jerry Roenig, Montana Automobile Dealers Association.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE: I AM LARRY TVEIT,
SENATE DISTRICT 27, RICHLAND AND DAWSON COUNTIES.

THE CONCERNS I HAVE ARE AFTER TALKING TO MY COUNTY TREASURER
ABOUT SB 355 and SB 356:

HER COMMENTS:

1. THE LINES WILL NOT BE ANY SHORTER BECAUSE ALL THE PERMITS
WILL STILL HAVE TO BE TYPED OUT.

2. HER CONCERNS: ABOUT WHAT WILL REPLACE COUNTY REVENUE.
IF SOME FORM OF STATE REVENUE AND THE LARGE TASK OF GETTING THE MONEY
PROPERLY DISTRIBUTED INTO THE 26 SCHOOL DISTRICTS IN THE COUNTY.

SHE SAID and I quote: (IT WILL CAUSE US CONSIDERABLY MORE WORK,
BUT WITH A COMPUTER AT THE STATE LEVEL, HOW WILL THE STATE MONEY BE
PROPERLY DISTRIBUTED TO LOCAL SCHOOL DISTRICTS?)

3. MY CONCERN IS THAT A PERSON BUYING A 20,000 AUTOMOBILE HAS
GOT THE MONEY TO PAY THE TAX. THE BILL WILL PENALIZE THE LITTLE GUY
WITH CHEAP OR OLD CARS AND BENEFIT THE GUY WITH THE ABILITY TO PAY.

I URGE A DO NOT PASS ON SB 355.

SB 356 ADDRESSES THAT THE ROYALTY OWNERS WILL PAY THEIR FULL SHARE
OF INCREASES IN SEVERANCE TAX. THOUSANDS OF ROYALTY OWNERS WILL BE
UNFAIRLY TAXED DUE TO THIS BILL.

I HAVE A SMALL ROYALTY INTEREST THAT IS BEING TAXED NOW BY
MONTANA A TOTAL TAX OF 17.39 PLUS THE WINDFALL OF UP TO 70% WITH
THE INCREASE OF SEVERANCE WILL MAKE A WINDFALL AT THE STATE LEVEL.

THE TWO FIGURES OF ALMOST 20% STATE TAX AND UP TO 70% WINDFALL
WOULD LEAVE A NET 10% AT THE WELL HEAD FOR ROYALTY OWNERS.

IT'S AN UNFAIR TAX AND I URGE A DO NOT PASS ON SENATE BILLS
355 and 356. THANK YOU.

Senate Bill 355 and Senate Bill 356 are companion bills so my comments will be on both bills.

I have many reasons for opposing this legislation. I will begin by saying it is disturbing to know that the State Department of Revenue has spent approximately \$27 million of the taxpayers money for the mass reappraisal program to equalize property tax values on all property within the counties and from county to county.

Now, with this concept in Senate Bill 355, there will be one item of property plucked from all the other property and no property tax assessed on cars and light trucks. This concept is wrong for many reasons.

1. All property should be taxed on its value.
2. By removing cars and light trucks from taxable value will upset the tax base in every county in the state.
3. This will cause confusion in every county, city and school district where services are based on taxable values on all property including cars and trucks.

Many cities and towns have bond indebtedness for streets, sewer, water, fire and police protection, etc. School districts have various budgets from district to district with different levies and bond indebtedness based on the property tax value--again based on cars and light trucks and, I might add, in many instances, the only taxes paid by many who receive the benefits is on a car or pickup. If the taxable value is removed on cars and light trucks, will the tax burden that I have mentioned fall on other property?

I do not believe the oil industry should be singled out to pay an additional tax so there would be no taxes on cars and light trucks.

What about the mining or timber industry?

The tax proposal in SB 356 will be paid by the consumer; not by the oil industry. Governor Schwinden has said those who drive cars and light trucks will pay the tax.

What about the added cost of burner fuel to heat homes, businesses, schools, county and state buildings?

What about the added cost to farming and ranching?

Tires, plastics, clothing and many other items are made from oil--not just gasoline.

What if oil production should drop off? Does this then mean that the tax will increase or will we then shift the tax burden to other property?

I want to close by pointing a very interesting fact. With the price of ~~oil~~^{oil} and deregulation, the severance tax will increase from 25 cents per barrel to almost \$1.00 per barrel under the present tax of 2.6%. If the severance tax as proposed in SB 356 is increased by 2.4% this will nearly double the tax to \$2.00 per barrel.

Senator Ed B. Smith

V

RATIO OF NET PROCEEDS TO GROSS PROCEEDS OF OIL PRODUCTION
STATE TOTALS

<u>Tax Year</u>	<u>Ratio Excluding Royalties</u>	<u>Ratio Including Royalties</u>
1958	67.25%	76.35%
1959	59.42	67.31
1960	57.12	65.35
1961	52.94	61.70
1962	50.77	59.80
1963	48.89	58.22
1964	44.59	53.95
1965	46.68	52.89
1966	44.55	53.74
1967	46.79	56.36
1968	44.09	54.35
1969	48.06	58.98
1970	45.82	57.26
1971	42.91	54.30
1972	41.40	52.41
1973	41.83	53.01
1974	51.54	62.86
1975	62.05	73.89
1976	61.32	73.32
1977	59.27	71.05
1978	56.48	68.63
1979	44.22*	55.42*
22 yr. aver.	50.82	60.96

Source: Department of Revenue Net Proceeds Returns

*Department currently reviewing returns for this tax year.

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 4, 1981

The 40th meeting of the committee was called to order at 8:00 a.m. in room 415 of the State Capitol Building, Chairman Pat Goodover presiding.

ROLL CALL: All members were present.

Senator Norman moved we reconsider actions on House Bill 17, Sen. Crippen dissenting. Larry Weinberg explained the amendments to House Bill 17, saying they address a loophole in the tax law that works against the taxpayer. The Department of Revenue can go further back in time to assess a deficiency than it can to give a refund. We are here today to ask the committee to consider language in House Bill 17 that will permit us to go back in time for a refund the same as to assess additional tax. Language also inserts a provision that permits the taxpayer and the Department of Revenue to mutually agree to extend five-year statute of limitations. Two sections have to be added to the bill, and sections have been written to clarify. Proposed amendments provide extension of the statute of taxpayer and provide the Department of Revenue the ability to give refund during the same period the Department can assess an additional tax. It does provide an immediate effective date. Larry said he ran this by Ken Nordtvedt, and he is in favor of it.

Senator Norman said when he talked to Representative Nordtvedt he suggested we take this bill into consideration along with House Bill 13. This amendment as proposed is a good amendment, but there is another issue to be put in to protect the taxpayer. During the work session I hope we can consider that. A subcommittee was appointed composed of Senators Norman and Elliott to consider House Bills 13 and 17.

CONSIDERATION OF SENATE JOINT RESOLUTIONS 23:

"A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA EXPRESSING SUPPORT FOR MONTANA'S COAL SEVERANCE TAX AND URGING ALL MONTANANS TO SUPPORT AND ENCOURAGE THE EFFORTS OF MONTANA IN THE COURTS AND IN CONGRESS TO PROTECT MONTANA'S RIGHT TO LEVY THE TAX."

Senator Towe said Senator Turnage suggested that we ought to have a resolution making it clear that defense of Montana's coal tax was not a bi-partisan situation. The essence is in the second and third WHEREAS clauses. The remaining items are the

6--February 4, 1981

Dan Mizner felt this bill gives local government officials a chance to get together and equalize the tax. We think it broadens the SID law.

Senator Elliott said he wouldn't want valuation method used for any other form of SID creation.

Senator McCallum referred to a bill Senator Mathers had on this subject. It was in Local Government, but it passed. Senator McCallum asked if Representative Lund could find out what happened, and he said he would.

Senator Ochsner said the dike has to meet specifications. He had heard that it was out of consideration because of the taxation problem. He thought that Representative Lund should have been contacted.

Senator Norman wondered why they couldn't make a special district, petition, and vote on that.

Senator Ochsner said he would get more information and bring it back to the committee.

The Chairman announced a new Subcommittee. The members will be Senators Manley, Elliott, Severson, Steve Brown, Bob Brown and Towe. Senator Manley will be chairman. Bills they will be considering are Senate Bills 126, 200, 213, 252, 317, 355, 356 and HB 370.

Senator Manley announced that tomorrow after lunch will be the first meeting in this room. He noted that some house members are available for these committees, too.

DISPOSITION OF SENATE BILL 42:

It was recommended that Senate Bill 42 be amended, and a motion made to that effect. The motion carried unanimously. Then a motion was made that Senate Bill 42 be given a DO PASS, as amended. The motion carried unanimously.

DISPOSITION OF SENATE BILL 280:

Senator McCallum moved that Senate Bill 280 not pass. The vote was unanimous that Senate Bill 280 DO NOT PASS.

Senator McCallum had a subcommittee report about progress on Senate Bills 221 and 96. It was decided to wait to hear the report until amendments could be looked at. Cort is drafting them. Senator Severson said he was going to ask the committee to introduce a bill following the livestock bill. With the passage of the livestock bill, the Livestock Department income has been cut in half. They thought they could handle it through the appropriation process, so what I will ask the committee to do is, as soon as the bill hits the floor in the House, and as soon as we know there is passage, I would like to introduce a committee bill. What it will do is double the mill levy as far as the Livestock Department is concerned. There was no intent to cut income to the Department

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 21, 1981

The 53rd meeting of the committee, executive session, was called to order at 7:30 a.m., in Room 415 of the State Capitol Building, Chairman Pat Goodover presiding.

ROLL CALL: All members present, although Senator Towe arrived late. This is mentioned because the first two votes will show Senator Towe as not voting.

DISPOSITION OF SENATE BILL 126:

Senator Severson made a motion that the bill DO PASS. He handed out an Attachment, #1, explaining how all the fee system bills under consideration worked. He thought his was the best because it affects every county the same, is in the neighborhood of 25%, and is uniform. It doesn't have the inequity of larger cities paying less and smaller counties paying more.

GOODOVER: Where do we make up the monies to the counties?

SEVERSON: I don't figure on making it up and am not a proponent of revenue sharing.

MCCALLUM: You are saying that the revenue the counties need will be shifted from the vehicle to another area?

SEVERSON: Any time you lower one class for either equity or just desire purposes you will create a shift. Then if the counties have to increase mill levies to bring in the same amount of revenue, it takes money from the ones getting the break.

MCCALLUM: Many people are only paying taxes on a vehicle.

SEVERSON: I have heard that argument, and I think that is wrong again.

S. BROWN: It is my understanding that this isn't the final step. We have agreed to pass Elmer's bill so that it can get out on the floor. The summit wanted this bill and some others for purposes of discussion.

Senator Severson's motion was voted on and passed by a 12-1 margin.

DISPOSITION OF SENATE BILL 150:

The tax credit was amended to 40% instead of the full amount.

Senator Elliott made a motion that SB 150 be given a DO NOT PASS. Reasons: 1) 20% in relation to federal return is fair, 2) tax

March 21, 1981
page 7

in that this bill applies to people who are only 62 years of age and older.

Senator Elliott wanted to speak against the motion. He doesn't object to the bill, just to the \$10 loss of revenue.

The vote on Senator Brown's motion carried by a 9-5 margin. Senate Bill 337 was given a DO PASS.

CONSIDERATION OF SENATE BILL 339:

Senator Steve Brown said he had amendments that would be offered for this one at a later date.

SENATE BILL 344: It was requested that this bill be held for HB 718.

DISPOSITION OF SENATE BILL 355:

Senator Eck moved that SB 355 DO PASS. I think there are changes to be made in the schedule.

ELLIOTT: What's the significance of 2,850 pounds to a vehicle?

SEVERSON: It's trying to define a small car and a larger car, I guess. Looking at this particular schedule I can't figure out how they came up with the bottom.

ELLIOTT: I am not familiar with weights. Do you think that would be a fair figure to use as opposed to 2,500-3,000?

SEVERSON: Practically all the smaller cars being sold today would be under the 2,850 pound figure. I feel the Governor is not doing what he thought he was doing. That Montana needs a fee system is overemphasized. Over 50% of the cars are in the neighborhood of cars 1974 or older. Under this bill, as cars get older, you are paying more and more and the person least able to pay pays.

ELLIOTT: I would like to offer a substitute amendment. I would raise the first column for less than 2 years to \$100 and over 8 to \$10.

TOWE: I'd like it based on a value to pick up income tax deduction. We can ask DOR to value each model and make every year. They determine what price is applied, set out a schedule saying one car pays one fee, and one pays another.

GOODOVER: Now you're getting back to my bill. I think it fits better. It was thought that 355 should be passed only if 356 is also, as they go together. One can't be passed without the other.

TOWE: I like the fee system better than this one.

Senator Elliott withdrew his motion.

March 21, 1981
page 8

GOODOVER: I have an amendment to offer to it. He said as long as we are looking at both these bills, let's prepare your amendments and I'll prepare my amendments and we will look at them both.

CONSIDERATION OF SENATE BILL 372:

The subcommittee recommended to kill the bill. Senator McCallum moved the bill DO NOT PASS.

Senator McCallum made a substitute motion to lay it on the table. Motion unanimously carried.

DISPOSITION OF SENATE BILL 384:

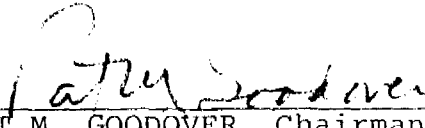
GOODOVER: SB 384 relates back to the bank bill, allowing a lot of people who did not want the branch banking to propose now that we allow them to consolidate their returns. I cannot go along with that.

TOWE: You are saying that people who have a holding company want to consolidate. If they are an out-of-state company they have to file a consolidated return now. It will affect revenue, one can't deny that.

NORMAN: I move SB 384 DO NOT PASS. Roll call vote was 8-6 in favor of the motion.

Senator McCallum made a motion to table SB 423. The vote was unanimous in favor.

The meeting adjourned at 10:00 a.m.


PAT M. GOODOVER, Chairman

STANDING COMMITTEE REPORT

March 26 -61

19.....

MR. PRESIDENT:

We, your committee on TAXATION

having had under consideration Senate Bill No. 355

Respectfully report as follows: That Senate 355
Bill No.

DO PASS

TAXATION

COMMITTEE

47th Legislature

SENATE

Bill No.	Subject matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
SB 344	To impose a severance tax of approximately 10% on the severance of palladium, platinum, or any other metal or precious semiprecious stones.	April 7	Towe	April 13	Tabled 11-8 April 13	
SB 355	To replace the present system of taxation of automobiles and light trucks with a fee system	April 7 9	Blaylock	April 9		
SB 356	To amend section 15-36-101, MCA to provide a single percentage rate of 5 3% to be used in computing the severance tax on petroleum	April 7	Blaylock	April 13		
SB 361	To exempt domestic international sales corporations from the corporate license tax	March 14	Goodover	March 23	Be concurred in 13-3 April 10 Underdal	
SB 377	Simplifying utilization of funds used for financing the foundation program...	March 3	Berg	March 18	Be concurred in 4 opposed April 10	
SB 457	To allow an income tax credit for charitable contributions to a nonprofit corp, fund, foundation....	March 20	Dover	March 26	Be not concurred in as amended 11-7 March 31	March 31

HOUSE TAXATION COMMITTEE MEETING MINUTES
April 9, 1981

A meeting of the House Taxation Committee was held on Thursday, April 9, 1981 at 8:00 a.m. in Room 102 of the State Capitol. All members were present. SENATE BILLS 200, 355, and 460 were heard and testimony was also accepted regarding SENATE BILL 356 as it pertained to SB 355. EXECUTIVE ACTION was taken on SENATE BILL 460.

The first bill to be heard was SENATE BILL 460, sponsored by Sen. Carroll Graham. He felt this bill would still be needed, even if the bill to repeal the rollback tax passed. At present there is no way of releasing liens and this bill attempts to take care of this.

There were no OPPONENTS to SB 460; there were no questions. Sen. Graham closed, and the hearing on SB 460 was closed.

Rep. Switzer moved that SENATE BILL 460 BE CONCURRED IN; motion carried unanimously.

SENATE BILL 200, sponsored by Sen. Gary Lee, was then heard. In trying to keep the net proceeds tax in line with its intent, being the taxation of the net, this bill allows those people engaged in oil to deduct as a business expense the windfall profits tax. Opposition to the bill has been from the Counties because they feel this is an erosion of their taxing asset; see Exhibit "A." Even with this bill, the Counties will realize more than a 140% increase in revenue.

Don Allen, Executive Director, Montana Petroleum Association, then rose in support of the bill. When the federal windfall profits tax was passed, there was no intention that the situation in Montana would occur and there was no foresight that this would be that large of a bite off the top of a barrel of oil. It is important to note that the windfall tax doesn't apply to the entire barrel; it applies to the base price. The Counties are already getting the part up to the base price. For the royalty owners as well as producers, paying taxes is a cost of doing business and in order to be competitive, this needs to be considered thus.

He submitted that it was hard for him to see each party trying to out-promise the other with tax relief. He felt that using the oil industry to balance the budget was a short-term solution for a long-term revenue loss. The Counties saying they were going to lose money he submitted wasn't true. The fact that they are not going to get as much of the windfall as they would like to have is what will happen. It is time that the Legislature recognized the fact that the oil and gas potential for Montana was the best hope for the answers to its financial needs. If

Rep. Dozier submitted that the increased revenue that had been coming to the Counties was from: (a) increased production, and (b) increased prices. Mr. Felt said that mostly it was from increased prices.

Sen. Lee then closed. He submitted that no County would lose money. He said that Mr. Harrison's saying that school funds would be adversely affected was false, and it was ridiculous to play on people's emotions in the education system. If the oil severance tax is increased to 5%, the kickback to the Counties will be doubled. Colorado is the only other State with the same problem as Montana. This bill has passed in Colorado and he was sure it would become law. He pointed out that the gross proceeds tax was a deductible tax on the windfall and the net proceeds wasn't. To say that the State was going to have a windfall profits tax on its level too was out of the ordinary.

He submitted he didn't know where Sen. Blaylock came up with his figures. He didn't see where he got the \$80 million amount. The oil companies have been the whipping boys for quite a few years. One of the reasons they left the country was because of all the controls put on oil. The country has had artificially low gas prices, which directly reflect out-of-the-country oil production.

He mentioned an amendment placed on the bill in the Senate. The only justification was so that the amendment could be taken off by the House, so the Senate could see the bill again. He requested that the amendment be removed. The hearing on SENATE BILL 200 was then closed.

SENATE BILL 355, sponsored by Sen. Chet Blaylock, was then heard. He went through the bill. This bill is closely tied to SB 356, scheduled to be heard on April 13. This bill removes all light cars and trucks from local taxing jurisdictions. What he asked the Committee to consider was the simplicity of the flat fee system. Possibly the upper end of the schedule could be raised to \$80. He submitted that this would satisfy some of the opposition's complaints, and the Governor was amenable to the change.

Gerry Raunig, Montana Automobile Dealers Association, then rose in support of the bill. They have supported all of the fee bills; they also supported the ad valorem bills because they also meant a reduction of taxes. He submitted that if any of the bills of ad valorem nature were retained, it wouldn't be any more than 2 - 3 years before the State would be right back to where it was presently, with taxation of motor vehicles.

Joe Lamson, Montana Democratic Party Executive Secretary, rose in support of the bill. This is a key part of their tax relief program and they fully support it.

Sen. Larry Tveit rose in OPPOSITION to the bill. Because of the

loss of valuation to the Counties, he was opposed to the bill. He supported an ad valorem tax and a wholesale value tax. SB 355 would mean a heavier load to the County workers than at present.

Gerald Henderson from Sidney submitted that the County officials were against this bill.

Tom Steinbeisser, also from Sidney, rose in opposition to the bill. He felt the figures were too low.

Control of the meeting was turned over to Vice Chairman Sivertsen, and Rep. Nordtvedt rose in opposition to the bill. This is the most regressive and pro-affluent class tax cut bill of the session; it is a waste of tax relief. There are more important things one could encourage the affluent to do with their money. Also, there is an additional few million dollars of tax relief by keeping the ad valorem system, because the taxpayer could still keep his tax for federal tax deduction purposes. He had a poll on vehicle taxes during his campaign. Although 65% said they wanted a reduction, 85% said they wanted the tax to be proportional to the value of the vehicle.

Questions were then asked. Rep. Nordtvedt asked Mr. Lamson how his party could favor a tax bill that was so preferential to those with the most expensive vehicles. He replied that he would be happy to raise the fee on the high end and lower it on the low end.

Rep. Burnett asked Sen. Blaylock if he would be amenable to making a percentage cut on HB 500 to make up for the loss from this bill and he replied that he wouldn't be. He said that every amendment that was tried on SB 500 on the Floor of the Senate went down in defeat, so nothing had been added. Estimates that the Senate wanted an across-the-board cut he submitted were an insult to the Committees that had worked on the budgets. Rep. Burnett said the percentage increases on the various agencies in State government had been greater than in the past. He submitted that in HB 500 there was money to be had. Sen. Blaylock said that that was the privilege of the House to do this.

In response to Rep. Underdal, Sen. Blaylock submitted that if the Legislature wanted to relieve the property tax, he would be in favor of it, but this bill is the only one that would give this relief for a large percentage of the State's population.

Rep. Vinger submitted that through this bill, many people would no longer be paying any money towards schools and the burden would be dropped on other people. Sen. Blaylock said that these people would still be paying taxes, because indirectly the people without cars and renting would be still paying property taxes to the landlords.

It was explained that the reimbursement would be handled at the end of the first year by calculating the difference between what was received under property taxes and what would have been received under the fee system, and the total number of vehicles in the County would be calculated. The loss would be divided among the vehicles, to get the reimbursement figures. In the succeeding year, the State would pay the Counties \$30 per vehicle and the money would be divided up among the funds. The reimbursement figure included the loss of the 40 mills and the 6 mills.

Rep. Williams asked Mr. Raunig how many other States used a fee system, and he replied that he believed that as of one year ago, 36 or 37 States had some sort of a fee system. He added that the fees in Oregon were \$10 per year. In response to Rep. Sivertsen, he stated that the other States' taxing systems weren't the same as Montana's. Rep. Sivertsen wanted to know what his position was on fee bills vs. tax bills. He replied that it was April 9, and the 90th day was on the 22nd, and he wanted to know if the Committee had time.

Terry Cohea, Management and Budget Analyst, said that the formula was specific to each County. The point of the bill was to reimburse local governments for every dollar that they would lose.

Rep. Devlin submitted that a County that had been conservative would be penalized. Ms. Cohea said she couldn't understand how it would be a penalty, because they would get what they would have gotten from the tax.

Rep. Nordtvedt said the ultimate transaction was between the State and the owners of the vehicles. He questioned why the General Fund should reward Montanans in high mill areas with more tax relief per vehicle than Montanans in low mill jurisdictions. Car for car, they will get a substantially bigger tax break. He requested Sen. Blaylock's response.

Sen. Blaylock said if the State was going to a flat fee system, the Counties needed to be reimbursed on that basis. Even if a uniform ad valorem system was adopted, the same thing would be being done in that case. The entire State of Montana has been the recipient of that kind of thing for a long time. Montana wouldn't have many things if it weren't for the fact that New York City paid \$15 billion in income taxes and got back about \$7.5 billion in services and the other States got some of their money.

Rep. Dozier said that the present status quo of funding that was in place had to be considered. Whether or not it was valid was not the question.

Ms. Cohea, in response to Rep. Asay, said the calculation would

HOUSE TAXATION COMMITTEE MEETING MINUTES
April 9, 1981

Page 12

be a one-time calculation. As more cars come in, \$30 will be given for each one. County Treasurers wouldn't have to assess cars after 1981.

Sen. Blaylock then closed, and the hearing on SENATE BILL 355 was closed.

The meeting was adjourned at 10:15 a.m.


Rep. Ken Nordtvedt - Chairman

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FACT SHEET - SENATE BILL 355

Revenue Loss to Local Governments

In 1982, each local government (county, city, school district, and other districts) will be reimbursed for exactly the same amount they lose through the imposition of the fee. (See Attachment A)

In succeeding years, local governments will experience growth in the amount collected from motor vehicles in two ways:

1. Beginning in 1983, the fee will be indexed for inflationary increases.
2. The state will reimburse districts for additional vehicles registered after 1981.

Local Government Bonding Limits and Other Financial Activities

Senate Bill 355 raises bonding limits proportionate to the largest possible loss in tax due to the removal of cars and light trucks from the tax base.

For example, in 1980, the taxable value of cars and light trucks constituted an average 6.5% of counties' tax bases. However, in several counties, the percentage was higher:

Gallatin	13.7%
Lewis and Clark	15.6%
Lincoln	14.0%
Ravalli	20.0%

Therefore, Senate Bill 355 amendments necessary to offset loss of taxable value in counties are based on the largest possible loss -- 20%.

Example:

<u>Taxable Value</u>	<u>Bond Limit</u>	<u>Bonding Power</u>
\$10,000,000 (with cars and light trucks)	9.00% (Current Law)	\$900,000
\$ 8,000,000 (without cars and light trucks)	11.25% (SB 355)	\$900,000

Cash Flow Problems

Senate Bill 355 insures that local governments have sufficient funds for daily operations in two ways:

1. Counties will collect motor vehicle fees under the same staggered registration system now used for motor vehicle property tax. So, most fees will be received from January to October of each year.

2. The state reimbursement will be made March 1 of each year, before the county would have received the bulk of the property tax on vehicles.

County Officials' Salaries

Senate Bill 355 does not affect county officials' salaries.

Current law (Section 7-4-2503) bases salary on population and the January 1, 1979 taxable value of the county. Senate Bill 355 will remove cars and light trucks from the tax rolls in January, 1982, so salary calculations will not be affected. Senate Bill 50, now on third reading in the House, will base county officials' salaries on population only in the future.

Income Tax Deduction for Fee

The fee will be a deduction for state income tax purposes and a credit to the contractors' gross receipt tax.

While the IRS does not allow fees based on weight as a federal income tax deduction, the value of the deduction is much less than the difference between the property tax and the fee on most vehicles. (Examples on Attachment B)

ATTACHMENT A

SENATE BILL 355 - MOTOR VEHICLE BILL

EXAMPLE OF REIMBURSEMENT TO LOCAL GOVERNMENTS

Example

Assume that in calendar year 1981, a county collected \$600,000 in property tax from the 10,000 cars and light trucks registered in the county. Under the fee system in Senate Bill 355, they would have collected \$300,000.

In early 1982, the county will send these figures to the Department of Revenue. The department will divide the difference between the property tax that was collected and the fee that would have been collected (\$600,000 minus \$300,000 equals \$300,000) by the number of vehicles in the county (10,000). This calculation will produce the state reimbursement per vehicle \$30.

On January 1, 1982, the county will begin collecting the fee on vehicles. In March, 1982, and every March thereafter, the state will send \$30 for each vehicle registered in the county during the previous year. Both the fee and the reimbursement will be distributed exactly as the property tax on vehicles is now distributed.

In future years, the county will receive the following funds, assuming that the fee increases 10% a year for inflation and 200 new vehicles are registered in the county each year.

<u>Year</u>	<u>Number of Vehicles</u>	<u>Fee Collected</u>	<u>Reimbursement @ \$30/vehicle</u>	<u>Total</u>
1982	10,000	\$300,000	\$300,000	\$600,000
1983	10,200	\$336,600	\$306,000	\$642,600
1984	10,400	\$377,520	\$312,000	\$689,520
1985	10,600	\$423,258	\$318,000	\$741,258

ATTACHMENT B

SB355 (Blaylock) - MOTOR VEHICLE FEE BILL

TAX SAVINGS

Many taxpayers will pay substantially less to license their motor vehicles under this bill than under the present property tax. This is true even though the fee is not a deduction from federal income tax, while property taxes are.* A few examples illustrate this point.

#1 A 1980 COMPACT VALUED AT \$6,500 IN A DISTRICT LEVYING 200 MILLS.

Property tax due on vehicle - \$169

\$6,500 x 13% (tax rate) x 200 mills

Tax Due
Minus Value
Of Deduction

Tax Savings

@ 10% marginal tax rate 16.90	\$152.10
@ 20% marginal tax rate 33.80	135.20
@ 30% marginal tax rate 50.70	118.30
@ 40% marginal tax rate 67.60	101.40

Fee due on vehicle

\$45

#2 A 1980 LUXURY CAR VALUED AT \$10,000 IN A DISTRICT LEVYING 200 MILLS

Property tax on vehicle = \$260

Tax savings

@ 10% marginal rate 26.00	\$234
@ 20% marginal rate 52.00	208
@ 30% marginal rate 78.00	182
@ 40% marginal rate 104.00	156

Fee due on vehicle

\$65

*Under the bill, the fee is a deduction to state income taxes. Federal regulations do not, however, allow fees based on vehicle weight to be deducted in computing federal income tax due.

EXAMPLES OF TAX SAVINGS UNDER SB 355

Car Model	Year	Current Value (Blue Book)	Location and 1980 Mill Levy	Tax Due	Fee Due	Savings Under SB3
Honda -						
Civic	1980	\$5,000	Missoula (324 mills)	\$211	\$45	\$1
Accord	1980	6,350	Billings (283 mills)	234	45	1
Prelude	1980	7,100	Red Lodge (264 mills)	244	45	1
Chevrolet Monte Carlo						
	1980	6,475	Great Falls (306 mills)	258	65	1
	1979	5,400	Great Falls (306 mills)	215	65	1
	1978	4,500	Great Falls (306 mills)	179	65	1
	1977	3,450	Great Falls (306 mills)	137	65	
	1976	2,750	Great Falls (306 mills)	109	25	
	1975	2,225	Great Falls (306 mills)	89	25	
Volkswagen -						
Rabbit	1977	3,550	Big Timber (260 mills)	120	45	
Dasher	1977	4,050	Big Timber (260 mills)	137	45	
Scirocco	1977	4,575	Big Timber (260 mills)	155	45	1
Ford Granada						
	1980	5,450	Rural Gallatin Co. (175 mills)	124	65	
	1979	4,675	Rural Gallatin Co. (175 mills)	106	65	
	1978	3,850	Rural Gallatin Co. (175 mills)	88	65	
	1977	3,200	Rural Gallatin Co. (175 mills)	73	65	
	1976	2,825	Rural Gallatin Co. (175 mills)	64	25	
	1975	2,250	Rural Gallatin Co. (175 mills)	51	25	
Ford Pinto						
	1980	4,125	Plains (287 mills)	154	45	1
	1979	3,375	Plains (287 mills)	126	45	
	1978	2,825	Plains (287 mills)	105	45	
	1977	2,425	Plains (287 mills)	90	45	
	1976	1,900	Plains (287 mills)	71	20	
	1975	1,625	Plains (287 mills)	61	20	

*Had the bill been effective in 1981.

INCOME DISTRIBUTION
DECEMBER 1980
WESTERN NATURAL GAS COMPANY
Post Office Box 830
SHELBY, MONTANA

9033
1-9-81

BLAIR #1-3
Sec. 3-34N-4E
Liberty County, Montana

	BARRLES	PRICE	PROCEEDS	MONTANA PROD.TAX	MONTANA CONS.TAX	MONTANA N.P.TAX	FEDERAL WINDFALL	NET CHECK
GROSS OIL SALES	232.97	34.76	8,098.04	214.60	4.05	971.76	1,459.74	5,447.89
LANDOWNERS ROYALTY								
CLIFFORD L. BLAIR		4.6875	379.60	10.06	.19	45.55	115.97	207.83
RIMROCK COLONY INC.		4.6875	379.60	10.06	.19	45.55	115.97	207.83
NORWESTERN UNION TRUST COMPANY		3.1250	253.06	6.71	.13	30.37	77.32	138.53
OVERRIDING ROYALTY								
DUARD ROSSMILLER		2.750	222.70	5.90	.11	26.72	68.04	121.93
JERRY BRANCH		1.750	141.72	3.76	.07	17.01	43.30	77.58
CEDOR B ARONOW		1.000	80.98	2.15	.04	9.72	24.74	44.33
TOTAL ROYALTY		18.000	1,457.66	38.64	.73	174.92	445.34	798.03

9036
1-9-81

WORKING INTEREST OWNERS								
MARQUIS PETROLEUM CORP.	20.5000		1,660.10	43.99	.83	199.21	253.60	1,162.47
DUARD ROSSMILLER	17.9375		1,452.59	38.49	.73	174.31	221.90	1,017.16
JERRY L. BRANCH	9.7375		788.55	20.90	.39	94.63	120.45	552.18
WESTERN NATURAL GAS CO.	8.2000		664.04	17.60	.33	79.68	101.44	464.99
CEDOR B. ARONOW	8.2000		664.04	17.60	.33	79.68	101.44	464.99
C. J. IVERSON	5.1250		415.02	11.00	.21	49.80	63.40	290.61
WILBUR WATKINS	5.1250		415.02	11.00	.21	49.80	63.40	290.61
STANLEY WATKINS	5.1250		415.02	11.00	.21	49.80	63.40	290.61
G. B. COOLIDGE	2.0500		166.01	4.40	.08	19.92	25.36	116.25
SUB-TOTAL	82.0000		6,640.39	175.98	3.32	796.83	1,014.39	4,649.87

HOUSE TAXATION COMMITTEE MEETING MINUTES
April 14, 1981

A meeting of the House Taxation Committee was held on Tuesday, April 14, 1981 at 10:00 a.m. in Room 102 of the State Capitol. All members were present. EXECUTIVE ACTION was taken on SENATE BILL 200, and SENATE BILL 355 was amended.

SENATE BILL 355 was considered. Rep. Nordtvedt said he wanted some amendments put on it; see Exhibit "A." The fee schedule would be replaced by another formula which was \$5 plus an ad valorem fee, which was 2% of the middle of each of the value brackets. The value brackets were from the average wholesale book values. Of 500,000 vehicles in Montana, 280,000 are off the books, and probably fall into the \$0 - \$1,000 category. Their total fee would be \$15. The other 220,000 vehicles have an average wholesale value of about \$2,700 so they would be in the \$2,000 - \$4,000 bracket, and their fee would be \$65. He proposed striking the last two categories on the schedule in the amendment. The January Blue book would be taken each year and fees would be determined from it. The book would be distributed upon request; in addition, the information would be put in the computer.

The Committee agreed to leave the amendments as they had been originally suggested, without the proposed deletion.

It was brought out that if the fee was proportional to value, it was deductible on federal income taxes. If 22% of the taxpayers who itemize were assumed to be in higher socio-economic conditions, and were assumed to own more expensive cars and more cars, there would be more savings. This fee schedule is designed to amount to a \$31 million reduction in vehicle taxes in the State.

Rep. Brand wanted to know where the loss would be picked up, Rep. Nordtvedt said it would come from the \$90 million surplus revenue or a severance tax, in his opinion. The fiscal impact in the State would be within \$1 million of the original Fiscal Note. The \$37 million estimate was from before a revised estimate of the number of vehicles in the State was available.

Rep. Sivertsen submitted that the Committee should try to give some direction to the Summit and show some leadership.

Rep. Nordtvedt moved the amendments. Discussion took place regarding the fiscal impact. Rep. Harrington expressed hope that some money could be come up with to make up the loss to local governments. Rep. Nordtvedt said the fiscal impact on the Cities, Counties, and School Districts was the same as in the original Fiscal Note.

The question was then called for on the amendments; motion carried

with Reps. Harrington, Brand, Underdal, and Oberg opposed.

Rep. Nordtvedt then said he would like the Committee to reconsider its action on SENATE BILL 200. Rep. Devlin so moved it.

Rep. Nordtvedt said that instead of allowing the people to deduct 100% of their tax, the bill could be amended to say that they could deduct 75% of the tax in arriving at net proceeds. He moved the amendment. Several other percentage levels were suggested.

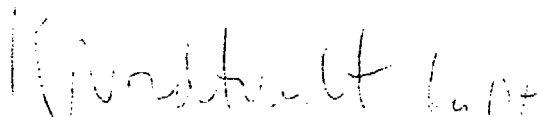
Rep. Dozier submitted that the bill should be left dead.

The question was then called for on the motion to reconsider the Committee's action on the bill; motion carried 10 - 9; see roll call vote.

Discussion took place on the amendments. The question was then called for on the motion to amend the amount to 75%; motion carried 12 - 6; see roll call vote.

It was then moved that the bill BE CONCURRED IN AS AMENDED; motion failed 11 - 8; see roll call vote. The vote was switched, for a BE NOT CONCURRED IN AS AMENDED recommendation.

The meeting was adjourned at 10:30 a.m.



Rep. Ken Nordtvedt - Chairman

da

PROPOSED AMENDMENTS TO SB 355
Second reading copy

1. Page 2, line 3 through line 5.

Following: "(2)" on line 3

Strike: line 3 through line 5 in their entirety

Insert: "Average wholesale value" means the value of a light vehicle to a dealer prior to reconditioning and profit margin shown in national appraisal guides and manuals or the valuation schedules of the department of revenue."

2. Page 2, line 24 through page 3, line 16.

Following: "(1)" on line 24

Strike: line 24 through line 16 on page 3 in their entirety

Insert: "Except as provided in subsection (3), the light vehicle fee is \$5 plus the ad valorem fee contained in the following schedule, which is based on the January average wholesale value of a vehicle:

Average wholesale value	Ad valorem fee
\$0 - \$ 1000	\$10
\$1001 - \$ 2000	\$30
\$2001 - \$ 4000	\$60
\$4001 - \$ 6000	\$100
\$6001 - \$ 8000	\$140
\$8001 - \$10000	\$180
\$10001 - \$12000	\$220
Over \$12000	\$260

Renumber: subsequent sections

3. Page 3, line 19.

Following: "\$5."

Insert: "(3) The department of justice, motor vehicle division, shall distribute the fee classification schedule provided for in subsection (1) to all county assessors, and to vehicle dealers upon request."